Govt of Madras Sectt. II-27—s6.005—4-1-52.

Development (1952.) Department.

5298/E/1952-1

M·S SERIES.

Passed
GP
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G.O. NO. 5414

Dated 7-8-1952

[Despatch Abstract.]

Industries – Sericulture - Govt silk Filatures, Cocoon – Audit Report 1950-51

Recorded with remarks.

DEVELOPMENT DEPARTMENT

G.O. No. 3414, 7th August 1952

Industries—Sericulture—Government Silk Filatures, Kollegal—Audit Report, 1950-51—Recorded with remarks.

READ—the following papers :—

I

G.O. Ms. No. 5334, Development, dated 29th December 1950.
G.O. Ms. No. 690, Development, dated 25th February 1952.

II

Letter from the Accountant-General, Madras, to the Secretary to Government, Development Department, dated 7th December 1951, No. O.A. 31-24/51-52/406.

[Audit report and accounts of the Government Silk Filatures, Kollegal, for the year 1950-51.]

I forward herewith for the information and orders of Government the accounts of the Government Silk Filatures, Kollegal, for the year 1950-51 together with the audit report thereon.

2. Special attention is invited to paragraphs I, III, IV and V of Section II and paragraph VIII of Section III of the report.

3. Copies of the accounts and audit report are being forwarded to the Secretary to the Government of Madras, Finance Department, the Director of Industries and Commerce, Madras, and the Sericultural Expert, Government Silk Filatures, Kollegal, for information and necessary action.

4. Minor irregularities noticed are included in an audit note which is being sent to the Sericultural Expert, Government Silk Filatures, Kollegal, for reply and retransmission through the Director of Industries and Commerce, Madras.

No. O.A. 31-24/51-52/407/408/409, *dated 7th December* 1951.

Copy together with a copy of the accounts and report forwarded to the Secretary to the Government of Madras, Finance Department, Fort St. George, Madras, for information.

Copy together with a copy of the accounts and report forwarded to the Director of Industries and Commerce, Madras, with the request that his remarks on the report may be forwarded to Government direct.

Copy together with a copy of the accounts and report forwarded to the Sericultural Expert, Government Silk Filatures, Kollegal. Audit Note (in duplicate) is also sent herewith for reply and retransmission through the Director of Industries and Commerce, Madras.

Enclosure.

AUDIT REPORT ON THE ACCOUNTS OF THE GOVERNMENT SILK FILATURES, KOLLEGAL, FOR THE YEAR 1950-51.

[*Conducted from 17th to 30th August* 1951 (10 *working days*).]

Introductory.

I. *Scope of audit.*—(*a*) The accounts of the Government Silk Filatures, Kollegal, for the year 1949-50 were last audited in December 1950. The present audit is confined to a test-check of the accounts for 1950-51 with a detailed scrutiny of those for March 1951.

(*b*) Sri A. T. Janakiraman, B.Sc., continued to hold charge of the post of Sericultural Expert, Government Silk Filatures, Kollegal, during the year.

II. The following are some of the important irregularities noticed during the present inspection :—

(1) Non-reconciliation of departmental figures with those of the Treasury.

(2) Accumulation of balances in cash chest.

(3) Delay in the periodical physical verification of stock.

(4) Omission to recover security deposit from two store-keepers.

They are dealt with in the succeeding paragraphs.

Section I.

III. *Outstanding points of the previous Inspection Reports—(a) Report on the accounts for* 1948-49—*Paragraph IX—Cost accounts.*—Cost accounting has not yet been introduced in the concern to assess the cost of production at every stage, viz., (1) cost up to the stage the cocoons are sorted and issued for reeling, (2) cost after reeling, (3) cost of silk produced after cleaning, baling, etc., and (4) cost of silk made into organzine and tram for weaving purposes. The total cost of production per pound of silk produced is worked out at the end of each month and the same communicated to the Director of Industries and Commerce for information. The selling rate is, however, fixed with reference to the market conditions, under orders of the Director. Now that a post of Cost Accountant has been sanctioned by Government in G.O. Ms. No. 2867, Development, dated 21st June 1951, it should be possible to introduce costing in the concern, as suggested above. Action taken in this regard may be intimated.

(*b*) *Report on the accounts for* 1949-50—*Section A*—(1) *Paragraph IV —Bleaching losses.*—The maximum limit fixed by the Director of Industries and Commerce for losses due to bleaching and approved by Government in G.O. Ms. No. 5334, Development, dated 29th December 1950, had been exceeded in a number of cases and it was suggested that the reasons therefor might be investigated and revised percentages prescribed, if necessary. Orders of Government on the revised percentages proposed by Sericultural Expert in his letter No. 362-A-2/51-1, dated 7th July 1951, to the Director of Industries and Commerce are awaited.

(2) *Paragraph V—Storing of silk.*—Silk yarn is stored in a room just like other ordinary stores. The desirability of taking adequate precautions in storing the silk in a storing room was suggested for consideration. The Executive Engineer, Public Works Department, was addressed by the Sericultural Expert in letter No. D/51, dated 30th June 1951, in the matter, but no reply has yet been received from him. Action in this regard should be expedited.

Section B—(3) *Paragraph VI (a) (i)—Balance sheet.*—Orders of Government regarding the question of adjustment of the full market value of the buildings transferred to the Public Works Department are awaited.

Sundry debtors.—Orders of Government approving credit sales of Rs. 1,060-3-6 effected during 1949–50 are awaited.

Section II.

Report on the accounts for 1950–51—I. *Reconciliation of the figures booked in the department with those of the Treasury.*—(*a*) The reconciliation of departmental figures with those booked in the Treasury has not been effected during 1950–51. In his letter No. 2306-A-1/50, dated 21st April 1951, the Agricultural Expert promised to have the reconciliation effected by the second week of May 1951 but no action has been taken so far in this regard. As reconciliation of departmental figures with those of the Treasury is essential to ensure that the amounts are properly booked in the Treasury, steps should be taken at once to have the reconciliation effected and to forward the certificates of reconciliation from April 1950 onwards to the Accountant-General, Madras.

(*b*) Reference is invited to letter No. T. 10. B, Commercial 648, dated 17th February 1951, addressed to the Director of Industries and Commerce wherein detailed instructions regarding reconciliation were issued for the guidance of the departmental officer. It is, however, noticed that they have not been complied with as noted below :—

(i) A Consolidated Treasury Receipt has not been prepared for remittances into the Treasury and sent to the District Treasury for verification and return (Rule 18 under T.R. 10).

(ii) In respect of withdrawals from the Treasury, pass books should have been maintained and sent to the Treasury at the end of each month to effect reconciliation of the amounts booked under "II. Cheques." A certificate for the total payment made by the Treasury during each month should have been obtained as in the case of Public Works offices from the Treasury Officer.

(*c*) Remittances made into the various treasuries on behalf of the concern by private parties are still accounted for under "I. Remittances" notwithstanding the fact that instructions were issued in paragraph 4 of the Accountant-General's letter cited above to see that they are booked under "III. Other Remittances." The correct procedure may please be strictly followed in future.

(*d*) Reconciliation of departmental figures in respect of transactions with those of other treasuries may also be effected and the fact reported to the Accountant-General, Madras.

II. *Withdrawal of amounts from the Treasury.*—The funds required for day-to-day expenditure of the Government Silk Filatures are drawn by means of cheques on the local Treasury. The cheques are drawn for lump amounts whenever required and all expenditure in connexion with the disbursement of pay and allowances of officers and establishment, wages to labourers, etc., is met therefrom. The Market Officers are also given advances therefrom, for the purchase of cocoons. To ensure that amounts are not drawn in anticipation of requirements prior to the preparation of bills it is necessary to introduce the system (obtaining in other commercial

concerns) of drawing funds by cheques from the Treasury for the exact amounts of bills for pay, travelling allowance, wages of labourers, etc., and by separate cheques for meeting the requirements of Market Officers for the purchase of cocoons.

III. *Accumulation of balances in the cash chest.*—It is noticed that large amounts are drawn by self-cheques far in excess of immediate requirements, with the result that heavy balances were lying in the cash chest. The heavy withdrawals from the treasury in November 1950 and December 1950 and the actual cash balances during those months are given in the Annexure I. This is contrary to the instructions in Article 94 of Madras Financial Code, Volume I. It was explained that for purchasing cocoons at frequent intervals by the Marketing Officers money is always kept in the cash chest to the tune of nearly Rs. 50,000 It is desirable that the maximum amount that can be kept in the cash chest at any time is fixed under orders of Government. This was also pointed out in paragraph VI of the previous year's Inspection Report.

IV. *Periodical physical verification of stock.*—It is seen that physical verification of stock was not conducted in the Filatures before 31st March 1951 (Article 143 of the Madras Financial Code, Volume I). The verification of stores was begun in June 1951 and in respect of the following items, it is still in progress :—

Cocoons, dyestuffs, medical stores, Japanese reeling machinery spare parts, handloom accessories, pipes and fittings, fuel, petrol.

The result of the verification and action taken thereon may be intimated to audit.

Steps may kindly be taken to ensure that physical verification of stock is conducted before 1st April of each year.

V. *Security deposits.*—(i) It is seen that large sums of money ranging up to Rs. 10,000 even at times are advanced to the Grainage Assistants entrusted with the purchase of cocoons. A cash security of Rs. 200 only is taken from them for the moneys of Sericultural section handled by them. Additional security for the cash of the Filatures entrusted to them for the purchase of cocoons has not been taken.

Action to put up proposals in this regard has been promised by the Sericultural Expert. This may be expedited.

(ii) Security deposit has not been recovered from the temporary store clerk Mr. Sankaran as enjoined in Article 276 of Madras Financial Code, Volume I. Steps may be taken to collect the security forthwith, under intimation to audit.

(iii) It is seen that fidelity bond executed by Mr. Saiduddin Ahmed, Silk Store-keeper, expired on 22nd August 1950. Early action may be taken to have it renewed as prescribed in Article 282 of Madras Financial Code, Volume I.

(iv) No security has been recovered from the clerk in charge of cocoon stores. It is explained that the Manager (Technical) holds charge of the stores. As however, Mr. Dasaratharaman is actually placed in immediate charge of the stores, it is necessary that security deposit is recovered from him as per the Code Rule cited above. This may now be done.

VI. *Balance of stores on hand.*—A sum of Rs. 22,689-6-0 has been shown in the Balance Sheet as the value of stores (other than cocoons) on hand on 31st March 1951. This sum is worked out by adding the receipts and deducting the issues to the last year's closing balance. The stores registers have been maintained with values but the balances as per the stores registers have not been extracted at any time and the total reconciled with the figures in the Balance Sheet. An abstract may be prepared in future showing the opening balance, receipts, issues and closing balance in the stores registers. The closing balance as on 31st March 1951 may be worked out from the stores registers and the same reconciled with the figures shown in the Balance Sheet.

The omission recurred though the same was pointed out in paragraph 11 of Audit Note of the previous year and action was promised to be taken in this regard.

Section III.

I. *Pro forma accounts.*—The accounts of the Filatures for the year ended 31st March 1951 have been audited and the following accounts and statements are appended:—

(i) Balance Sheet as on 31st March 1951.

(ii) Manufacturing Account of silk for the year ended 31st March 1951.

(iii) Trading Account of silk for the year ended 31st March 1951.

(iv) Combined Manufacturing and Trading Account of the Weaving section for the year ended 31st March 1951.

(v) Combined Profit and Loss Account (Silk and Fabrics) for the year ended 31st March 1951.

(vi) Statement showing the monthly consumption of cocoons, wages paid and yield of silk (Statement I).

(vii) Interest calculation sheet (Statement II).

(viii) Statement of land, buildings, plant and machinery, etc. Statement III).

II. *Manufacturing Account*—(1) *Cost of production.*—The total cost of production of silk during the year 1950–51 worked out to Rs. 42-14-5 per lb. as against Rs. 52-2-0 per lb. during 1949–50—vide details given below:—

	1950–51. 22,726 lb.		1949–50. 9,690 lb.	
	Total charges.	Cost per lb.	Total charges	Cost per lb.
	(1)	(2)	(3)	(4)
	RS.	RS. A. P.	RS.	RS. A. P.
1 Raw material	7,90,617	34 12 8	3,50,903	36 3 5
2 Direct wages	1,02,934	4 8 6	44,580	4 9 7
Prime cost	8,93,551	39 5 2	3,95 483	40 13 0
3 Factory overheads	76,748	3 6 0	82,551	8 8 4
	9,70,299	42 11 2	4,78,034	49 5 4
Less sale of dead pupas, duppion and silk waste.	50,768	2 3 9	35,253	3 10 3
Cost of production	9,19,531	40 7 5	4,42,781	45 11 1
4 General overheads	55,220	2 7 0	62,326	6 6 11
Total cost	9,74,751	42 14 5	5,05,107	52 2 0

* The figure arrived at during last year is Rs. 50–12–7 as the miscellaneous recoveries credited in the profit and loss were also taken into account. These recoveries have been excluded in the current report for the purpose of working out production cost.

The decrease in the cost of production is mainly due to increase in production and decrease in factory and general overheads during the year. During the year 1950–51, the factory was not open to production for a period of 3 months and 23 days as against 6 months and 15 days in the preceding year. A general reduction of establishment of 33-1/3 per cent was given effect to from 1st August 1950 but this cut was partially restored when production increased.

(2) *Raw materials—Cocoons.*—(*a*) The purchase cost of cocoons, the only raw material of the business, during the two years (1949–50 and 1950–51) is compared in the statement given below :—

	1950–51.	1949–50.
	LB. OZ.	LB. OZ.
Total quantity purchased	407,922 6	217,200 12
	RS. A. P.	RS. A. P.
Total cost	7,52,040 7 10	3,23,246 2 1
Cost per lb.	1 13 6	1 7 10

The average cost of cocoons worked out to Rs. 1–13–6 per lb. during 1950–51 as against Rs. 1–7–10 in the preceding year. This exceeded the price of Re. 1–4–0 per lb. fixed by the Tariff Board, as a fair price. The increase in cost of cocoons was more than counter-balanced by the better quality of cocoons purchased during the year as shown in sub-paragraph (*b*) below.

(*b*) The quantities of cocoons consumed, good silk obtained and the renditta (i.e., the weight of cocoons per pound of silk) during the years 1950–51 and 1949–50 are given below :—

Year.	Cocoons consumed.	Silk obtained.	Renditta.
(1)	(2)	(3)	(4)
	LB.	LB.	
1950–51	407,922	22,726	17·95
1949–50	204,066	9,690	21·1

The lower renditta during the year under report as compared with that for 1949–50 is due to the comparatively superior quality of cocoons purchased during the year. The percentage of double cocoons (inferior variety) to the total quantity purchased during the year worked out to 3·5 against 6·3 in the preceding year.

(3) *Valuation of by-products and allocation of overheads.*—The total quantity of duppion and silk waste which are by-products have been valued at the average selling rates with reference to the orders contained in paragraph 3 of G.O. Ms. No. 5334, Development, dated 29th December 1950. The pay and allowances of officers and staff have been allocated between factory overheads and general overheads in the ratio of 2 : 1. The pay and allowances of Market Officers stationed at Kollegal, Hanur, Kamakarai, Chilukuvadi and Seed Cocoon Purchasing Assistant at Talavadi are now met by the Sericultural section. A portion of their pay and allowances is correctly chargeable to the accounts of the Filatures (in proportion to the services rendered by them to the Filatures). Action may be taken to give effect to the correct procedure in future.

III. *Trading account.*—(*a*) The Trading account for the year under review shows a gross profit of Rs. 81,940 as against Rs. 1,40,435 during 1949–50. The decrease is due to the fact that, while the heavy closing stock

of 1948–49 was disposed of during 1949–50 at favourable rates, the margin of profit for the sales in respect of yarn produced during 1950–51 was comparatively less. The sales of silk during the year 1950–51 amounted to Rs. 9,69,555 as against Rs. 10,23,498 during the year 1949-50.

(*b*) *Closing stock—Rs.* 1,55,233-13-9.—The items of closing stock have been valued at the cost of production as it is lower than the selling rates prevailing at the close of the year.

(*c*) *Value of silk to be written off—Rs.* 6,218-6-6.—The amount represents the value of stock found deficient during stock verification in 1947–48. Out of Rs. 6,616-9-9 representing the value of stock found deficient, a sum of Rs. 398–3–3 was written off during 1950–51.

IV. *Combined manufacturing and trading account of weaving section.*—(*a*) The Weaving section continues to work on an experimental basis as a temporary measure and the question of retaining this permanently and to introduce the working of the same on power-looms is stated to be still under the consideration of Government. The working of the section has resulted in a profit of Rs. 1,741 during 1950–51 as against Rs. 1,969 during the preceding year. The decrease is due to lower selling rates of silk consequent on the adoption of reduced rates of Rs. 6 and Rs. 2–4–0 per lb. for organzine and tram, respectively, with reference to G.O. Ms. No. 5334, Development, dated 29th December 1950, as against Rs. 9 and Rs. 7–4–0 adopted during the preceding year.

(*b*) Silk issued to the Weaving department has been priced at the prevailing selling rates at the time of issue and not on the actual cost of production. The rates at which issues of silk from stock to the Weaving section are to be made will have to be fixed with reference to the actual cost of production of silk as already suggested in paragraph IV of the report for 1948–49.

The selling prices of fabrics from the Weaving section are so fixed as to allow a flat margin of 8 annas per yard to cover incidental expenses and a small margin of profit. With reference to paragraph IV (*b*) (iv) of the report for 1949–50, it was suggested to Government by the Director of Industries and Commerce in his letter No. 6352/D-1/50, dated 20th March 1951, that an addition of 6¼ per cent might be made to the cost of fabrics to cover incidental charges and profit. Orders of Government are awaited in this regard.

(*c*) *Overheads.*—Pay and allowances of foreman (approximately Rs. 800 per annum) who is solely engaged in the Weaving section are now charged to the Silk section, but the above sum is correctly chargeable to the Manufacturing and Trading account of Weaving section. This was already suggested in paragraph IV (*c*) of the previous report and is promised to be followed from 1951–52 [vide the Director's letter to Government cited in sub-paragraph (*b*) above].

V. *Combined Profit and Loss account of silk and silk fabrics—(a) Depreciation—Rs.* 4,523.—The Director of Industries and Commerce addressed Government in his letter No. 1487/F-4/50, dated 30th July 1951, for orders regarding the adoption of uniform rates of depreciation in all Government commercial concerns under his control. Pending final orders of Government fixing the percentage and the method of depreciation to be adopted, the same percentages as were adopted during the previous years have been adopted during this year also by the diminishing balance method.

(*b*) *Books and periodicals—Rs.* 133-2-0.—This represents the cost of books and periodicals purchased during the period. No inventory of the books and periodicals has yet been opened. This may be expedited.

(*c*) *Leave and pensionary contribution—Rs.* 3,069.—The leave and pensionary contribution has been worked out in accordance with the orders of Government contained in paragraph 2 of G.O. Ms. No. 2013, Development, dated 2nd May 1951.

(*d*) *Interest on capital—Rs.* 13,579-9-0.—Details of working will be found in Statement II. Interest in respect of capital invested during 1950-51 should be calculated at 4·25 per cent with reference to G O. No. 578, Finance, dated 15th May 1951, instead of at 4 per cent. Necessary adjustments may be made in the accounts for the next year.

(*e*) *Rent—Rs.* 5,992-14-0.—This includes a sum of Rs. 1,977-8-0 being the rent realized in 1950-51 in respect of Kollegal Silk Filature buildings taken over by Government Silk Filatures and let out to the Sericultural section.

VI. *Balance sheet—(a) Land, buildings, plant and machinery, etc.—Rs.* 5,12,745-8-10.—(i) The amount of Rs. 13,565-10-0 shown as additions during the year represents the cost of station-wagon purchased during the year.

(ii) As the rate of depreciation for each class of asset is different, the value of each class of asset (land, buildings, etc.) and the additions thereto as also depreciation written off in respect of each should be shown separately in the Balance sheet as in the case of other commercial concerns. The depreciation written off to the end of previous year and that provided for the year should be shown separately in the Balance sheet.

(*b*) *Sundry debtors—Rs.* 9,735-10-1.—Out of this amount, a sum of Rs. 652-11-0 represents the cost of fabrics, etc., supplied on credit during 1950-51 for which cost has yet to be recovered. Credit sales have been effected even during the year under report, without the sanction of Government, notwithstanding the fact that this was pointed out in paragraph VI (*b*) of the previous year's report. Early action may be taken to have the credit sales regularized and to effect recovery of the amount.

(*c*) *Amount due from the Central Silk Board—Rs.* 1,222-13-4.—The amount represents expenditure during 1950-51 incurred towards transport and erection of Japanese silk reeling machinery on behalf of the Central Silk Board, New Delhi, recoverable from them. The recovery is awaited.

(*d*) *Demurrage charges—Rs.* 203.—A sum of Rs. 203 was incurred in March 1951 as demurrage charges on Atwood silk twisting machinery imported from abroad. The matter is under correspondence with the Traffic Manager, Southern Railways, Mysore, who was addressed for refund of the amount. The result of the correspondence may be intimated.

(*e*) *Profit and loss reserve account—Rs.* 5,72,963-13-10.—A profit and loss reserve account created as required in G.O. Ms. No. 799, Development, dated 23rd February 1950, as amended in G.O. Ms. No. 1627, Development, dated 21st April 1950, shows a balance of Rs. 5,72,963-13-10 after inclusion of the profit for the year under review.

VII. *Comparison of actuals with the budgeted figures.*—A comparative statement showing the budgeted figures and the actuals under the following heads for 1950-51 is given as Annexure II :—

(i) Profit or loss.

(ii) Cost of service, purchase price of materials, other production factors, etc.

(iii) Volume of production.

(iv) Volume of sales.

The variations (under each head) are also explained therein.

VIII. *Financial review*—(*a*) *General.*—The Government Silk Filatures, Kollegal, was acquired by the Government of Madras from the Government of India on 1st September 1945. It was run as a State Trading scheme till 1st October 1948 since when it has been treated as a regular commercial concern. Except during the years 1947–48 and 1948–49 when the concern sustained a loss owing to the fall of price of silk due to Japanese imports the concern has been earning profit throughout. During the current year, the working of the Filatures resulted in a net profit of Rs. 46,911. Taking this to account, the total net profit earned by the concern to date is Rs. 5,72,964.

(*b*) *Accumulation of stock.*—During the period under audit, the entire output of silk was disposed of at favourable rates leaving only a small balance 3,200 lb. manufactured towards the close of the year. It was, however, seen that on the date of audit the stock had accumulated to 21,300 lb. as shown below:

Period. (1)	Opening stock. (2)		Production. (3)		Total. (4)	
	LB.	OZ.	LB.	OZ.	LB.	OZ.
April 1951	3,200	13	2,751	15½	5,952	12½
May 1951	5,730	13½	4,648	12½	10,379	9½
June 1951	10,333	10½	4,432	15	14,766	9½
July 1951	14,746	12½	4,026	6½	18,773	2½
August, up to 20th	18,715	5½	2,584	12½	21,300	2

Difference between column (4) in one month and column (2) in the succeeding months represents issues to the Weaving section.

It was explained that the market rates of silk are on the downward trend due to the sale of imported foreign silk at far cheaper rates and that to guard against losses, the stocks of the filatures are held back from sale. This would indicate the necessity to watch carefully the trend of market and issue orders for quick disposal of the goods at the most opportune moments to prevent accumulation of stock and possible deterioration in quality.

Disposal of surplus plant and machinery.—It is seen that out of 384 basins purchased in 1945, 64 basins have been dismantled to make provision for the installation of a new twisting machinery. Early action has to be taken to dispose of the dismantled basins to the best advantage of Government as they are no longer required in the Filatures. In view of the fact that the possibilities of utilizing the plant and machinery of Kollegal Silk Filature which contains 150 basins appear to be far remote, the question of their disposal may be taken up early. If the plant and machinery are to be disposed of, there will be a decrease in the amounts of depreciation and interest charges on capital of about Rs. 1,05,460 resulting in the reduction of present overheads. This was already mentioned in paragraph V of the report for 1948–49 and paragraph IV of the report for 1949–50.

(*d*) The Atwood silk twisting machinery to the value of Rs. 3,15,500 capable of producing 50 lb. of organzine silk per day has been imported from abroad in March 1951 and its installation is awaited. This will go a long way in meeting the demand for thrown silk for the handloom silk weaving industry and improving further the financial position of the Filatures.

(e) The question of systematization of imports of foreign raw silk by restricting the grant of licences is under the active consideration of the Central Silk Board. The final outcome of the proposals will be watched with interest as the decision has an important bearing on the future of the silk industry.

IX. Subject to the foregoing remarks, I certify that I have obtained all the information and explanations that I have required and that the balance sheet signed by me as relative thereto exhibits a true and correct view of the state of affairs of the Government Silk Filatures, Kollegal, as on 31st March 1951.

R. Subrahmaniam,
Assistant Examiner (Outside Audit)

Annexure I.

[*Vide* Section II—Paragraph III of the report.]

Self-cheques drawn.

Date.	Amount. Rs.	Date.	Amount Rs.
1950—		1950—	
30th October	50,000	27th November	50,000
4th November	50,000	30th November	50,000
10th November	50,000	7th December	50,000
13th November	50,000	15th December	50,000
22nd November	50,000		

Cash balances exclusive of advances pending with subordinate officers lying in the chest.

Date.	Amount. Rs. A. P.	Date.	Amount. Rs. A. P.
1950—		1950—*cont.*	
30th October	45,698 6 4	27th November	46,346 0 1
31st October	40,771 5 10	28th November	30,352 6 4
1st November	27,785 10 10	29th November	20,379 7 7
2nd November	18,633 9 4	30th November	64,543 8 7
3rd November	18,055 11 4	1st December	46,283 2 1
4th November	56,884 11 1	2nd December	45,469 0 7
5th November	49,152 7 8	3rd December	30,469 0 7
6th November	43,028 15 7	4th December	30,579 3 7
7th November	22,561 15 1	5th December	28,834 1 7
8th November	23,125 10 1	6th December	18,992 12 10
9th November	18,169 7 10	7th December	48,599 0 7
10th November	48,629 0 10	8th December	43,604 2 10
11th November	36,891 2 10	9th December	28,493 9 10
12th November	17,053 0 10	10th December	28,493 9 10
13th November	66,377 11 10	11th December	27,592 2 4
14th November	66,377 11 10	12th December	23,862 3 1
15th November	50,255 11 7	13th December	13,466 0 1
16th November	47,021 5 7	14th December	7,935 11 1
17th November	46,349 7 7	15th December	59,667 7 1
18th November	41,149 1 7	16th December	50,464 15 1
19th November	41,149 1 7	17th December	45,601 14 1
20th November	41,909 15 4	18th December	40,790 2 1
21st November	35,713 12 4	19th December	38,885 14 7
22nd November	65,334 3 4	20th December	
23rd November	56,123 11 4	21st December	34,873 0 10
24th November	34,524 7 4	22nd December	25,893 9 10
25th November	17,044 10 10	23rd December	20,375 0 10
26th November	3,044 10 10	24th December	20,375 0 10

ANNEXURE II.

(*Vide* Paragraph VII in Section III)

Comparison of estimated figures exhibited in the Production and Sales Budget with the actuals for 1950-51

	Estimate for the year. (1)	Actuals. (2)	Reasons for the variation. (3)
	RS.	RS.	
I. Silk—			
1. Net profit	1,54,848	45,171	The decrease in profit as compared with the estimate is mainly due to (i) reduced production for the reasons stated against item (3) below and (ii) the idle expenditure of Rs. 41,416 incurred during the period of closure of the factory for three months and twenty-three days.
2. Cost of service (purchase price of materials, other production factors, etc.) ..	17,99,452	9,74,751	The decrease is not proportionate to the decrease in production due to (i) increase in the purchase price of raw materials, i.e., cocoons, the average cost of which worked out to Rs. 1-13-6 per lb. as against the estimated rate of Re. 1-6-0 per lb. and (ii) the actuals under direction charges and interest on capital exceeded the budget provision as shown below:—
	LBS.	LBS.	
3. Volume of production	52,500	22,726	The factory was not open to production for three months and twenty-three days during the year and the actual number of basins worked was 36,614 as against an estimated number of 67,200. This was mainly due to inadequate supply of cocoons on account of adverse seasonal conditions (such as failure of rains).

	Estimate. (1)	Actuals. (2)	Difference (3)
	RS.	RS.	RS.
Direction	5,000	9,026	4,026
Interest on capital	(—) 5,200	13,580	18,780
Total ..	..	..	22,806

and (iii) the idle expenditure incurred during the period of closure.

ANNEXURE II—*cont.*

Comparison of estimated figures exhibited in the Production and Sales Budget with the actuals for 1950-51—*cont.*

	Estimate for the year. (1) Estimate. Quantity. LB.	Estimate for the year. (1) Estimate. Value. RS.	Actuals. (2) Actuals. Quantity. LB.	Actuals. (2) Actuals. Value. RS.	Reasons for the variation. (3)
I Silk—*cont.*					
4. Volume of sales—					
Silk	50,000	17,50,000	20,186	8,96,304	The reduction in sales (quantity) is due to reduced production during the year. The products were sold at more than the estimated rates during the year.
Duppion	5,500	55,000	3,549	53,567	
Silk waste	35,000	70,000	9,633	30,050	
	..	18,75,000	..	9,79,930	
II. Silk fabric—					
		RS.		RS.	
1. Net profit		4,106		1,741	The decrease is due to reduced production during the year.
2. Total cost of service		63,626		26,572	The cost per yard worked out to Rs. 12-6-0 as against the estimated rate of Rs. 9-11-3. This is mainly due to reduction in the quantum of production by each labourer an stated in item 3 below.
		YDS.		YDS.	
3. Volume of production		6,912		2,151	The fall in the production of silk cloth is mainly due to the fact that all the looms were engaged in the manufacture of crepe, 3 shuttle weaving and lace border sarees to meet the demand as against the plain ones estimated to be produced. Each loom can produce only $\frac{3}{4}$ yard (to 2 yards) of the sarees of the above type as against 3 yards of a plain fabric per day
	Quantity. YDS.	Value. RS.	Quantity. YDS.	Value. RS.	
4. Sales	6,500	61,752	4,056	40,037	The reduction in sales is due to reduced production during the year. The products were sold at slightly more than the estimated rates.

GOVERNMENT SILK FILATURES, KOLLEGAL.

BALANCE SHEET AS ON 31ST MARCH 1950.

Capital and liabilities.	RS.	A.	P.	RS.	A.	P.
Capital as per Balance Sheet on 1st April 1950.	1,04,457	5	8			
Add—Leave and pension contribution up to 31st March 1950.	30,363	2	8			
Interest up to 31st March 1950.	2,13,227	15	0			
Audit fee up to 31st March 1950.	5,381	5	0			
				3,53,429	12	4
Add—Cheques drawn	11,61,799	4	0			
General Provident Fund deductions.	1,958	6	0			
Income-tax and surcharge ..	46	14	0			
Debit adjustment by Accountant-General.	6,828	14	9			
Leave and pension contribution for 1950–51.	3,069	0	0			
Interest for 1950–51	13,579	9	0			
Audit fees for 1950–51 ..	950	0	0			
Secretariat charges	925	0	0			
Direction charges	9,026	0	0			
				11,98,182	15	9
				15,51,612	12	1

Property and assets.	RS.	A.	P.	RS.	A.	P.
Land, buildings, plant and machinery.	5,38,871	11	5			
Add—Additions	13,565	10	0			
Total ..	5,52,437	5	5			
Deduct—Depreciation and disposals.	39,691	12	7			
				5,12,745	8	10
Finished products—						
Silk lb. 3,200–13	1,32,292	2	6			
Duppion silk lb. 257–13¼	4,218	6	3			
Silk waste lb. 6,750–3	18,723	5	0			
				1,55,233	13	9
Fabrics	..			25,797	5	9
Loss of silk to be written off ..	..			6,218	6	6
Raw materials—						
Good cocoons lb. 1,14,604–8 ..	1,97,685	7	9			
Rat-eaten cocoons	1,369	5	11			
Gold and silver lace	353	13	0			
				1,99,408	10	8
Other stores—						
Fuel	2,594	11	0			
Coal	426	3	6			
Miscellaneous stores	18,856	11	9			
Petrol	318	8	0			
Dye stuff	493	3	9			
				22,689	6	0
Service postage	..			99	8	9
Sundry debtors	..			9,735	10	1
Due from Central Silk Board ..	..			1,222	13	4
Demurrage charges (suspense) ..	..			203	0	0

Balance Sheet as on 31st March 1951—*cont.*

Capital and liabilities.	Rs.	A.	P.	Rs.	A.	P.
Deduct—						
Remittances into treasury ..	12,12,829	8	0			
Sales tax remitted and adjusted ..	— 15,907	0	9			
	11,96,922	7	3			
Credit adjustment	18,887	12	10			
Payments on behalf of Sericultural section.	2,166	6	0			
General Provident Fund withdrawal.	619	0	0			
				12,18,595	10	1
Closing capital				3,33,017	2	0
Liabilities—						
Outstanding liability				33,400	6	7
Sundry debtors—credit balance ..				1,720	14	0
Sales tax payable				2,887	11	3
Security deposits				600	0	0
Profit and Loss Reserve Account—						
Profit to end of 1949–50	5,26,052	2	10			
Add—Profit for 1950–51	46,911	11	0			
				5,72,963	13	10
				9,44,589	15	8

Property and assets	Rs.	A.	P.	Rs.	A.	P.
Stock in process—						
Silk	5,022	1	3			
Gold lace	651	4	6			
				5,673	5	9
Objection book advance repayable ..	..			34	0	0
Security deposit as per contra ..				600	0	0
Closing cash balance				4,928	6	3
				9,44,589	15	8

Manufacturing Account for the year ended 31st March 1951.

Dr.

Particulars.	Amount.			Amount.		
	Rs.	A.	P.	Rs.	A.	P.
To Raw materials consumed—						
Cost of cocoons 407,922 lb. 6 oz.	7,52,040	7	10			
Add—Conveyance charges	15,588	4	3			
Other incidental charges ..	1,773	3	3			
				7,69,401	15	4
,, Cost of fuel consumed	5,350	1	9			
Add—Conveyance charges	7,794	2	2			
				13,144	3	11
To Cost of electric power consumed ..	..			5,031	15	0
,, Coal consumed	..			648	8	6
,, Cost of general stores consumed including freight, etc.	..			2,390	12	3
,, Wages and dearness allowance of labourers.	..			1,02,934	5	9
,, Pay and dearness allowance of factory staff.	..			27,062	10	0
,, Do. Officers 2/3 ..	..			2,257	8	0
,, Do. Office staff 2/3	..			5,568	11	0
,, Travelling allowance	..			3,095	10	0
,, Maintenance of boiler	..			487	12	6
Do. plant and machinery.	..			1,615	10	5
Do. buildings ..	..			499	8	7
Do. Cart	..			1	2	0
,, Depreciation of factory buildings, plant, etc.	..			32,194	15	3
,, Other miscellaneous expenses (taxes, etc.)	1,784	2	3			
	2,179	3	0			
				3,963	5	3
				9,70,298	9	9

Cr.

Particulars.	Amount.		
	Rs.	A.	P.
By sale of dead pupæ	783	8	3
,, Value of transferred to trading account—			
(i) Silk, lb. 22,725–14	9,19,530	15	6
(ii) Duppion silk, lb. 805–11¼	12,161	1	3
(iii) Silk waste, lb. 12,103–6	37,823	0	9
	9,69,515	1	6
	9,70,298	9	9

Dr. TRADING ACCOUNT FOR THE YEAR ENDED 31st MARCH 1951. C

SILK.

Particulars.	Amount.	Amount.	Particulars.	Amount.	Amount.
	RS. A. P.	RS. A. P.		RS. A. P.	RS. A. P.
To Opening Stock—			By Sale of—		
Silk, lb. 1,070–5	49,539 10 6		Silk, lb. 20,185–10¾	8,96,304 0 0	
Duppion silk, lb. 3,047–15¾ ..	42,005 0 6		Duppion silk, lb. 3,548–8	53,566 9 3	
Silk waste, lb. 3,635–9	1,891 3 3				9,49,870 9 3
Kilchas	13 7 0		Silk waste (sales), lb. 9,632–12		30,058 14 0
Throwsters waste	54 0 0		Silk issued to weaving section, lb. 445–14.		19,684 10 6
		93,503 5 3	„ Closing Stock—		
Value of stock to be written off. ..		6,616 9 9	Silk lb. 3,200–13		1,32,292 2 6
To Production—			Duppion silk, lb. 257–13¼		4,218 6 3
Silk, lb. 22,725–14	9,19,530 15 6		Silk waste lb. 6,750–3		18,723 5 0
Duppion silk, lb. 805–11¼	12,161 1 3		„ Value of stock to be written off ..		6,213 6 6
Silk waste, lb. 12,103–6	37,823 0 9				
		9,69,515 1 6			
„ Packing materials	..	1,604 4 9			
„ Petrol	14,385 5 0				
„ Maintenance of motor vehicles including pay of drivers and cleaners.	17,026 3 7				
	31,411 8 7				
Less lorry hire	235 0 0				
	31,176 8 7				
Half to cocoons	15,588 4 3				
Quarter to fuel	7,794 2 2				
„ Quarter to Carriage outwards ..	..	7,794 2 2			
„ Agents' commission	..	92 7 0			
„ Gross profit	..	81,940 7 7			
		11,61,066 6 0			11,61,066 6 0

COMBINED MANUFACTURING AND TRADING ACCOUNT OF THE WEAVING SECTION FOR THE YEAR ENDED 31ST MARCH 1951.

Dr.

Particulars.	Amount. RS. A. P.	Particulars.	RS. A. P.	Amount. RS. A. P.
To Opening Stock—		By sale of fabrics		40,037 4 0
Fabrics	37,521 5 11	,, Closing stock of silk fabrics manufactured.	25,635 15 3	
Yarn (silk)	2,298 10 6	,, Gudiyattam	161 6 6	
Gold and silver lace	205 9 8			25,797 5 9
,, Silk obtained from Silk section.	19,684 10 6	,, Silk in Weaving section and on looms.		5,022 1 3
,, Weaving charges	5,080 9 9	,, Gold lace in Weaving section and on looms.		651 4 6
,, Gold and silver laces obtained from stores.	4,697 10 4			
,, Bleaching	68 15 11			
,, Dyes consumed	209 11 0			
,, Profit carried over to profit and loss account.	1,740 11 11			
	71,507 15 6			71,507 15 6

Cr.

Combined Profit and Loss Account for the year ended 31st March 1951.

Silk and Silk Fabrics.

Dr.

Particulars.	Amount. Rs.	A.	P.
To Pay and allowances of officers 1/3	1,128	12	0
„ Pay and allowances of office establishment 1/3 ..	2,784	5	0
„ Medical aid	1,472	9	4
„ Postage	1,121	9	6
„ Stationery and forms	682	7	2
„ Office contingencies	99	5	3
„ Property-tax (other than factory buildings)	950	14	0
„ Books and periodicals	133	2	0
„ Advertisement	1,225	0	0
„ Exhibition expenses	893	11	9
Re airs to cycles	54	9	9
epreciation other than factory	4,523	0	0
Leave and pensionary contribution	3,069	0	0
„ Direction charges	9,026	0	0
„ Interest on capital	13,579	9	0
„ Audit fees	950	0	0
„ Secretariat staff fee	925	0	0
„ Electric consumption charges	559	1	0
„ Maintenance of electrical installation	1,184	4	8
„ Maintenance of creche	811	2	2
„ Write-off of rat eaten cocoons	234	5	1
„ Maintenance of livestock	266	4	2
„ Do. tools	55	5	11
„ Net profit	46,911	11	0
..	92,641	0	9

Cr.

Particulars.	Amount. Rs.	A.	P.
By Profit from Trading account	81,940	7	7
„ Do. Weaving section	1,740	11	11
„ Rent	5,992	14	0
„ Sale of fuel chips	22	10	0
„ Other receipts	2,738	14	9
„ Trailer pump hire charges	179	7	0
„ Forwarding charges collected	20	3	6
„ V.P. charges collected	5	12	0
.. ..	92,641	0	9

Statement showing monthly consumption of cocoons, wages paid and yield of silk and silk waste during the year 1950-51.

Month.	Cocoons consumed good/double.	Wages paid.	Percentage of wages to cocoons consumed.	Silk produced.	Duppion silk produced.	Silk waste produced.	Percentage of silk produced to good cocoons used.	Percentage of duppion silk produced to double cocoons used.	Percentage of silk waste produced to cocoons used.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	LB. OZ.	RS. A. P.		LB. OZ.	LB. OZ.	LB. OZ.			
April 1950	..	767 5 0	..	6 13½	..	..	..	..	..
May 1950	..	851 3 0	..	9 6	..	..	..	..	..
June 1950	630 0	603 9 0	95·87	18 12¾	0 11½	12 8	2·98	..	1·98
July 1950	7,709 8	3,067 1 0	38·91	524 10½	10 0	229 0	6·80	5·81	2·91
	172 0								
August 1950	29,813 0	10,270 10 0	32·47	1,828 11½	113 15¾	913 12	6·14	7·54	2·92
	1,512 0								
September 1950	44,863 4	10,555 3 0	22·50	2,352 3	92 15	1,118 12	5·24	4·56	2·39
	2,038 10								
October 1950	42,491 8	10,515 0 0	23·51	2,669 2½	101 8	1,380 0	6·28	4·57	3·09
	2,220 4								
November 1950	54,881 12	13,234 1 0	23·28	3,375 1¼	96 7½	1,941 8	6·15	4·93	3·41
	1,958 0								
December 1950	60,221 8	14,812 1 0	23·66	3,576 5½	98 12¾	1,802 0	5·94	4·16	2·88
	2,373 0								
January 1951	51,113 12	13,749 14 0	25·01	2,940 12¾	72 4¾	1,604 8	5·43	8·41	2·92
	859 0								
February 1951	46,969 8	11,546 2 0	23·91	2,568 12	82 13¾	1,321 0	5·47	6·31	2·74
	1,311 4								
March 1951	51,898 4	13,380 4 0	24·88	2,855 3¾	136 2¾	1,624 12	5·50	7·25	3·02
	1,876 4								
Total ..	393,602 0	1,03,352 5 0		22,725 14	805 11¼	11,947 12*			
	14,320 0								

* Excludes 155 lb. 10 oz. being excess found in stock verification.

STATEMENT II.

Calculation of interest for 1950–51.

	Rs. A. P.	Rs. A. P.
Opening Capital	..	3,53,429 12- 4
Add—		
Cheques drawn	11,61,799 4 0	
General Provident Fund deductions	1,958 6 0	
Sales tax and general charges	46 14 0	
Debit adjustments	6,828 14 9	
Leave salary contribution	3,069 0 0	
Audit fees	950 0 0	
Secretariat staff charges	925 0 0	
Direction charges	9,026 0 0	
Opening cash balance	11,040 7 4	
		11,95,643 14 1
		15,49,073 10 5
Deduct—		
Remittance	12,12,829 8 0	
Less sales tax	15,907 0 9	
	11,96,922 7 3	
Credit adjustment	18,887 12 10	
Payment on behalf of Sericultural section ..	2,166 6 0	
General Provident Fund withdrawal	619 0 0	
Closing cash balance	4,928 6 3	
		12,23,524 0 4
Closing capital without interest	..	3,25,549 10 1
Interest on Rs. 3,53,429–12–4 at 4 per cent ..	..	14,137 3 0
Interest on mean capital— Rs. 3,25,549–10–1 *minus* 3,53,429–12–4 / 2 or		
— Rs. 13,940–1–2 at 4 per cent		— 557 10 0
		13,579 9 0

Statement III.

Statement of land, buildings, plant and machinery, etc.

Particulars.	Value of assets as on 31st March 1950.	Additions.	Disposals.	Net total.	Depreciation for 1950-51.	Depreciated value of assets as on 31st March 1951.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1 Land	9,171 1 7	..	..	9,171 1 7	..	9,171 1 7
2 Main building	38,091 11 1	..	..	38,091 11 1	2,857 0 0	35,234 11 1
3 Cocoon storage	31,196 13 5	..	..	31,196 13 5	2,340 0 0	28,856 13 5
4 Silk examining and packing room	4,592 1 6	..	..	4,592 1 6	344 0 0	4,248 1 6
5 Manager's quarters	5,716 8 9	..	..	5,716 8 9	143 0 0	5,573 8 9
6 Masonry drains	2,142 2 9	..	..	2,142 2 9	161 0 0	1,981 2 9
7 General stores and workshops	1,474 12 7	..	..	1,474 12 7	111 0 0	1,363 12 7
8 Boiler room	1,797 4 0	..	..	1,797 4 0	135 0 0	1,662 4 0
9 Office building	27,686 9 3	..	..	27,686 9 3	2,076 0 0	25,610 9 3
10 Chowkidars' quarters	1,169 6 2	..	..	1,169 6 2	88 0 0	1,081 6 2
11 Latrines and urinals for work people	1,854 15 1	..	..	1,854 15 1	139 0 0	1,715 15 1
12 Roads and culverts	1,608 12 6	..	..	1,608 12 6	121 0 0	1,487 12 6
13 Compound wall and gate	1,174 15 8	..	..	1,174 15 8	88 0 0	1,086 15 8
14 Double garage	710 1 1	..	..	710 1 1	53 0 0	657 1 1
15 Quarters for Technical Expert	6,172 3 6	..	..	6,172 3 6	154 0 0	6,018 3 6
16 Lunch sheds	3,384 13 5	..	..	3,384 13 5	254 0 0	3,130 13 5
17 Service reservoir	1,297 4 4	..	..	1,297 4 4	97 0 0	1,200 4 4
18 Servants' quarters	650 3 2	..	..	650 3 2	49 0 0	601 3 2
19 Latrines for staff	558 7 0	..	..	558 7 0	42 0 0	516 7 0
20 Saraswathi Bai Labour Colony	27,076 11 10	..	..	27,076 11 10	677 0 0	26,399 11 10
21 Reeling basins and machinery	93,105 0 6	..	..	93,105 0 6	11,173 0 0	81,932 0 6
22 Tools and equipment	27,439 14 4	..	..	27,439 14 4	3,293 0 0	24,146 14 4
23 Boilers	24,227 11 7	..	..	24,227 11 7	2,423 0 0	21,804 11 7
24 Station wagon	364 9 1	13,565 10 0	364 9 1	13,565 10 0	..	13,565 10 0
25 Steam and water pipe connexions	20,648 10 10	..	..	20,648 10 10	2,478 0 0	18,170 10 10
26 Stifling chamber	258 15 0	..	..	258 15 0	19 0 0	239 15 0
27 Furniture in Technical Expert's quarters	389 7 5	..	..	389 7 5	23 0 0	366 7 5
28 Water-supply and sinking of bore-well	3,956 13 7	..	..	3,956 13 7	237 0 0	3,719 13 7
29 Furniture in Manager's quarters	406 4 7	..	..	406 4 7	24 0 0	382 4 7
30 Ford trucks	773 1 4	..	..	773 1 4	193 0 0	580 1 4
31 Sechoir	8,979 10 9	..	..	8,979 10 9	1,078 0 0	7,901 10 9
32 Bullock	346 15 3	..	..	346 15 3	196 15 3	150 0 0
33 Furniture in Kollegal Silk Filature	2,728 6 3	..	..	2,728 6 3	164 0 0	2,564 6 3
34 Cart	315 14 2	..	..	315 14 2	38 0 0	277 14 2

STATEMENT III—*cont.*

Statement of land, buildings, plant and machinery, etc.—cont.

Particulars.	Value of assets as on 31st March 1950.	Additions.	Disposals.	Net total.	Depreciation for 1950–51.	Depreciated value of assets as on 31st March 1951.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
35 Radio sets	87 8 8	..	..	87 8 8	11 0 0	76 8 8
36 Seriplane and board	929 2 6	..	..	929 2 6	111 0 0	818 2 6
37 Denier scale	24 3 9	..	..	24 3 9	3 0 0	21 3 9
38 Serimeter	129 1 3	..	..	129 1 3	15 0 0	114 1 3
39 Denier testing machine	142 14 9	..	..	142 14 9	17 0 0	125 14 9
40 Silk throwing plant	10,904 8 7	..	..	1,904 8 7	133 0 0	1,771 8 7
41 Trailor pump	2,609 4 3	..	2,609 4 3	..	..	..
42 Electrification	15,583 12 0	..	..	15,583 12 0	1,558 0 0	14,025 12 0
43 Establishment charges	2,855 11 0	..	..	2,855 11 0	..	2,855 11 0
44 Handloom, first set	436 5 10	..	..	436 5 10	26 0 0	410 5 10
45 Handloom, second set	797 7 6	..	..	797 7 6	48 0 0	749 7 6
46 Scientific instruments	252 15 9	..	..	252 15 9	30 0 0	222 15 9
47 Books and periodicals	88 0 3	..	..	88 0 3	..	88 0 3
48 Silk waste godown	26,017 0 0	..	..	26,017 0 0	1,951 0 0	24,066 0 0
49 Atwood silk twisting machinery	1,13,460 0 0	..	..	1,13,460 0 0	..	1,13,460 0 0
50 Bangalore silk twisting machinery ..	22,085 6 0	..	..	22,085 6 0	1,546 0 0	20,539 6 0
Total ..	5,38,871 11 5	13,565 10 0	2,973 13 4	5,49,463 8 1	36,717 15 3	5,12,745 8 10

III

Letter from the Director of Industries and Commerce, Madras, to the Secretary to Government, Development Department, dated 4th March 1952, No. 2439D-1/51.

[Industries—Sericulture—Government Silk Filatures, Kollegal—Audit report and accounts for the year 1950-51. *Reference.*—Government, Development, Memo. No. 135177-M-I/51-1, dated 19th December 1951.]

I furnish the following remarks on the several points raised in the audit report on the accounts of Government Silk Filature, Kollegal, for the year 1950-51:—

Paragraphs I and II.—No remarks.

Section I (a) (2)—Introduction of cost accounting—Paragraph III.—Inasmuch as the post of Cost Accountant sanctioned in G.O. No. 2867, Development, dated 21st June 1951, i.e., during the year 1951-52, was filled up only on 27th October 1951, the Cost Accounting System could not be introduced during the year. The Sericultural Expert has been instructed to introduce the system from 1st April 1952.

Section I (b)—Bleaching losses.—Revised percentages up to which losses due to bleaching of silk can be allowed were recommended to Government in this office letter No. 6362-D1/50, dated 20th September 1951, and final orders of Government are awaited.

Section A—Paragraph 2—Storing of silk.—The Executive Engineer, Salem Division, Mettur Dam, has been asked to prepare an estimate for the construction of a store-room for storing silk. On receipt of the estimate, Government will be addressed for necessary sanction.

Section B—Paragraph 3—Buildings.—Government have passed orders in Memo. No. 41290-MI/51-5, Development, dated 18th October 1951, that the value of the buildings transferred to the Public Works Department need not be recovered from the Public Works Department.

Sundry debtors.—Kind reference is invited to paragraph VI of section B in this office letter No. 6362-D/50, dated 20th September 1951, and early orders of Government are requested in the matter.

Section II.—I. Reconciliation.—(*a*) The Cashier-Accountant of the Filature was sent to Coimbatore during the third week of December 1951 and the Department figures in respect of I. Remittances and II. Cheques have since been reconciled with those booked at the Huzur Treasury, Coimbatore, for the year 1950-51 and up to November 1951 in 1951-52.

The statements of reconciliation have been forwarded to the Accountant-General by the Sericultural Expert.

(*b*), (*c*) *and* (*d*).—The Sericultural Expert has reported that the correct procedure is being followed with effect from December 1951 accounts as reconciliation has already been carried out up to November 1951 and that reconciliation with other Treasuries also will be carried out with effect from December 1951.

II. *Withdrawal of amounts from Treasury.*—The Sericultural Expert, Government Silk Filature, Kollegal, has been instructed to draw separate cheques for pay, allowances, travelling allowances and wages of workmen, etc., in future for the exact amount of the bills as suggested by the Accountant-General.

III. *Accumulation of cash in the cash chest.*—The necessity for keeping large amounts of money in the cash chest was already explained to Government in paragraph VI of section A of this office letter No. 6362-D1/50, dated 20th September 1951, and the orders of Government are awaited.

IV. *Verification of stock.*—The reports received from the Stock-verifying Officer are being examined in consultation with the Sericultural Expert and a final report on the results of the stock verification will be sent to the Accountant-General shortly.

V. *Security deposits.*—(i) The security of Rs. 100 taken from the Grainage Assistants is for some of the articles such as "Microscope", etc., entrusted to them for safe custody. The purchase and disbursement of cocoons were hitherto made by the Market Officers themselves; but now that the Sericultural Expert is the head of both the Sericultural and Filature sections, the disbursement work is entrusted to the Grainage Assistants for securing administrative efficiency. The Grainage Assistants are doing this work in addition to their work relating to the Sericultural section. It is considered that if the present system should continue permanently, additional security for the cash of the Filature section entrusted to them may have to be taken. This aspect will be examined and further report will be submitted.

(ii) The Store Clerk Sri R. Sankaran is not in service now. The security will be obtained from the clerk who is now in charge of stores.

(iii) The Sericultural Expert has been asked to take immediate action to have the fidelity bond renewed if not already done.

(iv) The Sericultural Expert is being instructed to collect from the Store-keeper the security deposit as suggested by the Accountant-General.

VI. *Balance of stores on hand.*—The Sericultural Expert has promised to reconcile the stock of stores as on 31st March 1951 and on receipt of his report, a report will be submitted to Government.

Section III.—I. Pro forma Accounts and II. (1) *Cost of production and* (2) *Raw materials.*—No remarks.

(3) *Valuation of bye-products.*—Kind attention of Government is invited to this Office letter No. 6362-D1/50, dated 20th September 1951, wherein I have explained that it will not be appropriate to debit any portion of the pay of the market organization to the accounts of the Government Silk Filature. Government orders are awaited.

III. (*a*) *and* (*b*).—No remarks.

(*c*).—The balance of Rs. 6,218-6-6 has also been written off by Government—vide G.O. No. 1992, Development, dated 1st May 1951.

IV. (*a*).—No remarks.

(*b*) Government have issued orders directing that the silk issued to the Weaving section should be valued with reference to the cost of production—vide Development Memorandum No. 90271-M-I/51-4, dated 30th November 1951. The Sericultural Expert was thereupon asked to report whether it would be possible to give effect to the orders of Government from the beginning of this year (1951-52). He has submitted his remarks and they are under examination. A further report will follow.

(*c*) *Overheads.*—I invite a kind reference to this office letter No. 6362-D1/50, dated 20th March 1951, wherein I have submitted that the question of debiting the pay and allowances of the Foreman in charge of the Handloom

section to the trading and manufacturing accounts may be considered after the Weaving section is made permanent or the Power-loom Weaving section is started at the Government Silk Filature, and final orders of Government are awaited.

V. (*a*) *Depreciation.*—Government have approved the uniform rates of depreciation in G.O. No. 4391, Development, dated 4th October 1951, and these rates will be adopted from the year 1951-52.

(*b*) *Books and periodicals.*—An inventory will be opened by the Sericultural Expert as suggested by the Accountant-General, Madras.

(*c*) *Leave and pensionary contribution.*—No remarks.

(*d*) *Interest on capital.*—Sericultural Expert has been asked to note the instructions.

(*e*) *Rent.*—No remarks.

VI. *Balance-sheet.*—(*a*) (i) No remarks.

(ii) In giving effect to the suggestion made by the Accountant-General, the Sericultural Expert states that the figures will have to be worked out from 1st September 1945, the date on which the concern was purchased by the Madras Government for the Government of India and it will take a long time to work out the same. He has, however, promised that the suggestion will be followed and adopted in the Balance-sheet for 1951-52.

(*b*) Credit sales are not allowed at the filatures. A small stock of silk fabrics is kept in the Central Office for sale. As soon as sales are effected, invoices are sent to the parties for payment. The sum of Rs. 652-11-0 will be recovered soon and remitted.

(*c*) *Amount due from the Central Silk Board—Rs.* 1,222-13-4.—The Central Silk Board has remitted a sum of Rs. 2,000 to Government Silk Filatures and this has been credited to Government Silk Filature accounts. The sum of Rs. 1,222-13-4 due from the Central Silk Board will be adjusted from this amount.

(*d*) *Demurrage charges.*—The matter is still under correspondence with the Railway authorities. The result of the correspondence will be reported in due course.

(*e*) No remarks.

VII *and* VIII (*a*) *and* (*b*).—No remarks.

(*c*) *Disposal of surplus machinery.*—A separate report has been promised by the Sericultural Expert and on receipt, it will be submitted to Government.

(*d*) *and* (*e*).—No remarks.

IX.—No remarks.

IV

Letter from the Director of Industries and Commerce, Madras, to the Secretary to Government, Development Department, dated 7th June 1952, No. 2439-D1-51.

[Government Silk Filature, Kollegal—Audit Report on the accounts for the year 1950-51. *Reference.*—This office letter, dated 4th March 1952, No. 2439-D1-51.]

In continuation of this office letter cited above, I submit below my further replies in respect of the audit report on the accounts of the Government Silk Filatures, Kollegal for the year 1950-51 :—

Section I—Paragraph II—Cost accounting.—The Sericultural Expert has reported that process costing would be introduced from 1st April 1952. Till

now only monthly costing statements were prepared from which the cost of silk per lb. has been arrived at. I have deputed the Commercial Accountant from this office to examine whether the correct procedure is being adopted by the Sericultural Expert in assessing the cost at various stages of productions.

Section II—Paragraph IV—Verification of stock.—The final report on the results of the annual stock verification for the year 1950–51 is under preparation and will be submitted to Government separately.

Paragraph V—Security deposits—Security from Grainage Assistant.—The Sericultural Expert has issued instructions to the Sericultural section in the matter. I shall submit a further report on hearing from the Sericultural Expert.

Security from the Cocoon Store-keeper.—The present Cocoon Store-keeper has been asked by Sericultural Expert to furnish security and I shall submit a further report on hearing from the Sericultural Expert.

Paragraph VI—Balance of store on hand.—The value of the stores as per stock book and that as per the ledger have been reconciled and I am addressing the Accountant-General, Madras, to adjust the difference.

Order – No. 3414, Development, dated 7th August 1952.

Recorded.

SECTION I.

2. *Paragraph III (a) of the Audit Report—Report on the accounts for 1948–49—Cost accounts.*—Process costing system of accounts would be introduced in the Government Silk Filatures, Kollegal, for the year 1952–53, from 1st April 1952 onwards.

3. *Paragraph III (b) (1) of the Audit Report—Report on the accounts for 1949–50—Bleaching losses.*—Revised percentages up to which losses due to bleaching of silk can be allowed have been fixed in paragraph 4 of G.O. Ms. No. 690, Development, dated 25th February 1952.

4. *Paragraph III (b) (2) of the Audit Report—Report on the accounts for 1949–50—Storing of silk.*—The Director of Industries and Commerce is requested to expedite the proposals for the construction of a store-room for storing silk.

5. *Paragraph III (b) (3) of the Audit Report—Adjustment of value of buildings transferred to Public Works Department.*—In Memorandum No. 41290-M.I/51-5, Development, dated 18th October 1951, the Government have decided that as the residential and non-residential buildings of the Government Silk Filatures, Kollegal, were transferred to the Public Works Department for better management only and as commercial accounts are maintained by the Industries Department for the silk filatures, there is no need for the Public Works Department to maintain Capital and Revenue accounts for the buildings separately or pay the value of the buildings to the Department of Industries and Commerce by book adjustment.

6. *Paragraph III (b) (4) of the Audit Report—Sundry debtors.*—Credit sales of handloom fabrics to the extent of Rs. 1,060-3-6 have been ratified by the Government in paragraph 15 of G.O. Ms. No. 690, Development, dated 25th February 1952.

Section II.

7. *Paragraph I of the Audit Report—Reconciliation of the figures booked in the department with those of treasury.*—The Director of Industries and Commerce is informed that in future there should be no delay in the reconciliation of the departmental figures with those of the treasury and that the instructions of the Accountant-General regarding reconciliation of figures should be strictly followed.

8. *Paragraph III of the Audit Report—Accumulation of balances in the cash chest.*—In paragraph 6 of G.O. Ms. No. 690, Development, dated 25th February 1952, the Government have fixed Rs. 20,000 as the limit up to which the Sericultural Expert, Kollegal, may draw cash or keep cash in the cash chest at any one time.

9. *Paragraph IV of the Audit Report—Periodical physical verification of stock.*—The final report of the Director of Industries and Commerce on the results of the annual stock verification for the year 1950-51 is awaited. The annual stock verification for 1951-52 should also be expedited.

The Director of Industries and Commerce is requested to see that in future annual physical verification of stock in the filatures is conducted before 1st April each year.

10. *Paragraph V of the Audit Report—Security deposits.*—The Director of Industries and Commerce is requested to take immediate action in the matter as pointed out in Audit.

The further report from the Director of Industries and Commerce in regard to the collection of security deposits from Grainage Assistants and Cocoon Store-keeper is awaited.

11. *Paragraph VI of the Audit Report—Balance of stores on hand.*—(i) The Director of Industries and Commerce is requested to submit a report on the reconciliation of the stock of stores as on 31st March 1951 after adjustment of the difference.

(ii) The instructions of the Accountant-General regarding preparation of abstract from the stores registers and its reconciliation with the figures shown in the balance-sheet should be strictly followed in future. The Director of Industries and Commerce is requested to report why the omission recurred even though it was pointed out in the Audit Note of the previous year.

Section III.

12. *Paragraph II (3) of the Audit Report—Valuation by products and allocation of overheads.*—The view that since the Government Silk Filatures, Kollegal, is merely a buyer of cocoons, it will not be appropriate to debit any portion of the pay of the market organization to its accounts has been accepted by the Government, vide paragraph 8 of G.O. Ms. No. 690, Development, dated 25th February 1952.

13. *Paragraph III (c) of the Audit Report—Value of silk to be written off.*—The write-off of a sum of Rs. 6,218-6-6 being the value of silk found deficient during stock verification in the Government Silk Filatures, Kollegal, has been sanctioned by the Government in G.O. Ms. No. 1992, Development, dated 1st May 1951.

14. *Paragraph IV of the Audit Report*—(i) *Silk issued to the Weaving department.*—The Director of Industries and Commerce's report on the valuation of silk issued to the Weaving department is awaited.

(ii) *Fixation of selling prices of fabrics.*—The Government have decided that the question of adding overhead charges to the selling price of fabrics should be considered after the Weaving section is made permanent or after the Powerloom section commences working. The proposal of the Director of Industries and Commerce to fix the margin of profit for sale of silk fabrics at 6¼ per cent of the cost of the fabrics has been accepted by the Government and orders issued in paragraph 10 of G.O. Ms. No. 690, Development, dated 25th February 1952.

(iii) *Overheads.*— In his letter No. 6362-DI/50, dated 20th March 1951, the Director of Industries and Commerce has reported that the suggestion of the Audit to debit the pay and allowances of the Foreman to the Manufacturing and Trading Account of the Weaving section will be followed from 1951-52. The Director of Industries and Commerce is requested to report whether he has not done so.

15. *Paragraph V of the Audit Report*—(i) *Depreciation.*—Uniform rates of depreciation in all Government commercial concerns under the control of the Director of Industries and Commerce has been fixed in G.O. Ms. No. 4391, Development, dated 4th October 1951.

(ii) *Books and periodicals.*—An inventory of books and periodicals purchased by the Sericultural section should be opened at an early date and a report submitted to the Government.

16. *Paragraph VI of the Audit Report*—(i) *Land, buildings, plant and machinery, etc.—Rates of depreciation.*—The suggestion of the Accountant-General that the value of each class of asset (land, buildings, etc.) and the additions thereto, depreciation written off in respect of each, depreciation witten off to the end of the previous year and that provided for during the current year may be shown separately in the balance-sheet, will be given effect to from 1951-52 onwards.

(ii) *Sundry debtors.*—The Director of Industries and Commerce is requested to collect at once the amount of Rs. 652-11-0 being the cost of silk fabrics sold during 1950-51 and to submit a report to the Government. The Director of Industries and Commerce is informed that in future sale of silk fabrics kept in the Central Office should be made only against cash payment on the spot.

(iii) *Demurrage charges.*—The Director of Industries and Commerce is requested to expedite the matter and to submit a report to the Government at an early date.

17. *Paragraph VIII (c) of the Audit Report—Disposal of surplus plant and machinery.*—The report from the Director of Industries and Commerce is awaited.

(By order of the Governor)

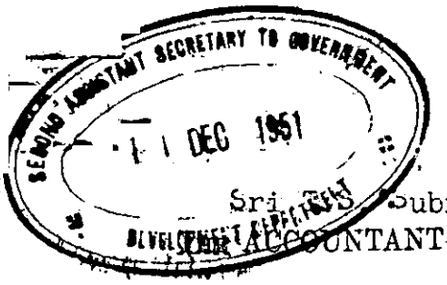
J. M. LOBO PRABHU,
Secretary to Government.

To the Director of Industries and Commerce, Madras.
" Accountant-General (through Finance Department).
" Finance Department.

Office of the Accountant-General, Madras.

Fort St. George, dated 7/12 ~~November~~ December *195* 1.

No.Oa.31-24/51-52/406.



FROM Sri T.S. Subramania Iyer,
ACCOUNTANT-GENERAL,
MADRAS,

135177

To

The Secretary to the Government of Madras,
Development Department,
Madras-9.

Subject :— Audit Report and accounts of the Government Silk Filatures, Kollegal, for the year 1950-51.

SIR,

I forward herewith for the information and orders Government the accounts of the Government Silk Filatures, Kollegal, for the year 1950-51 together with the audit report thereon.

2. Special attention is invited to paragraph I, III, and IV of Section II and paragraph VIII of Section III of the report.

3. Copies of the accounts and Audit Report are being forwarded to the Secretary to the Government of Madras, Finance Department, the Director of Industries and Commerce, Madras and the Sericultural Expert, Government Silk Filatures, Kollegal for information and necessary action.

4. Minor irregularities noticed are included in an audit note which is being sent to the Sericultural Expert, Government Silk Filatures, Kollegal, for reply and retransmission through the Director of Industries and Commerce, Madras.

Yours faithfully,

(T.S. Subramania Iyer).
Accountant General.

No.OA.31-24/51-52/407/408/409 Dated ~~November~~ December 1951.

Copy together with a copy of the accounts and report forwarded to the Secretary to the Government of Madras, Finance Department, Fort St. George, Madras, for information.

Copy together with a copy of the accounts and report forwarded to the Director of Industries and Commerce, Madras, with the request that his remarks on the report may be forwarded to Government direct.

Copy together with a copy of the accounts and report forwarded to the Sericultural Expert, Government Silk Filatures, Kollegal. Audit note (in duplicate) is also sent herewith for reply and retransmission through the Director of Industries and Commerce, Madras.

ncn 9/11.

AUDIT REPORT ON THE ACCOUNTS OF THE GOVERNMENT SILK FILATURES, KOLLEGAL, FOR THE YEAR 1950-51.

[*Conducted from* 17*th to* 30*th August* 1951 (10 *working days*).]

INTRODUCTORY.

I. *Scope of audit.*—(*a*) The accounts of the Government Silk Filatures, Kollegal, for the year 1949-50 were last audited in December 1950. The present audit is confined to a test-check of the accounts for 1950-51 with a detailed scrutiny of those for March 1951.

(*b*) Sri A. T. Janakiraman, B.SC., continued to hold charge of the post of Sericultural Expert, Government Silk Filatures, Kollegal, during the year.

II. The following are some of the important irregularities noticed during the present inspection :—

(1) Non-reconciliation of departmental figures with those of the Treasury.

(2) Accumulation of balances in cash chest.

(3) Delay in the periodical physical verification of stock.

(4) Omission to recover security deposit from two store-keepers.

They are dealt with in the succeeding paragraphs.

Section I.

III. *Outstanding points of the previous Inspection Reports*—(*a*) *Report on the accounts for* 1948-49—*Paragraph IX—Cost accounts.*—Cost accounting has not yet been introduced in the concern to assess the cost of production at every stage, viz., (1) cost up to the stage the cocoons are sorted and issued for reeling, (2) cost after reeling, (3) cost of silk produced after cleaning, baling, etc., and (4) cost of silk made into organzine and tram for weaving purposes. The total cost of production per pound of silk produced is worked out at the end of each month and the same communicated to the Director of Industries and Commerce for information. The selling rate is, however, fixed with reference to the market conditions, under orders of the Director. Now that a post of Cost Accountant has been sanctioned by Government in G.O. Ms. No. 2867, Development, dated 21st June 1951, it should be possible to introduce costing in the concern, as suggested above. Action taken in this regard may be intimated.

(*b*) *Report on the accounts for* 1949-50—*Section A*—(1) *Paragraph IV Bleaching losses.*—The maximum limit fixed by the Director of Industries and Commerce for losses due to bleaching and approved by Government in G.O. Ms. No. 5334, Development, dated 29th December 1950, had been exceeded in a number of cases and it was suggested that the reasons therefor might be investigated and revised percentages prescribed, if necessary. Orders of Government on the revised percentages proposed by Sericultural Expert in his letter No. 362-A-2/51-1, dated 7th July 1951, to the Director of Industries and Commerce are awaited.

(2) *Paragraph V—Storing of silk.*—Silk yarn is stored in a room just like other ordinary stores. The desirability of taking adequate precautions in storing the silk in a storing room was suggested for consideration. The Executive Engineer, Public Works Department, was addressed by the Sericultural Expert in letter No. D/51, dated 30th June 1951, in the matter but no reply has yet been received from him. Action in this regard should be expedited.

Section B—(3) *Paragraph VI* (*a*) (*i*) *Balance sheet.*—Orders of Government regarding the question of adjustment of the full market value of the buildings transferred to the Public Works Department are awaited.

Sundry debtors.—Orders of Government approving credit sales of Rs. 1,060-3-6 effected during 1949–50 are awaited.

Section II.

Report on the accounts for 1950–51—I. *Reconcilition of the figures booked in the department with those of the Treasury.*—(*a*) The reconciliation of departmental figures with those booked in the Treasury has not been effected during 1950–51. In his letter No. 2306-A-1/50, dated 21st April 1951, the Sericultural Expert promised to have the reconciliation effected by the second week of May 1951 but no action has been taken so far in this regard. As reconciliation of departmental figures with those of the Treasury is essential to ensure that the amounts are properly booked in the Treasury, steps should be taken at once to have the reconciliation effected and to forward the certificates of reconciliation from April 1950 onwards to the Accountant-General, Madras.

(*b*) Reference is invited to letter No. T. 10. B, Commercial 648, dated 17th February 1951, addressed to the Director of Industries and Commerce wherein detailed instructions regarding reconciliation were issued for the guidance of the departmental officer. It is, however, noticed that they have not been complied with as noted below :—

(i) A Consolidated Treasury Receipt has not been prepared for remittances into the Treasury and sent to the District Treasury for verification and return (Rule 18 under T.R. 10).

(ii) In respect of withdrawals from the Treasury, pass books should have been maintained and sent to the Treasury at the end of each month to effect reconciliation of the amounts booked under "II Cheques." A certificate for the total payment made by the Treasury during each month should have been obtained as in the case of Public Works offices from the Treasury Officer.

(*c*) Remittances made into the various treasuries on behalf of the concern by private parties are still accounted for under "I Remittances" notwithstanding the fact that instructions were issued in paragraph 4 of the Accountant-General's letter cited above to see that they are booked under "III Other Remittances." The correct procedure may please be strictly followed in future.

(*d*) Reconciliation of departmental figures in respect of transactions with those of other treasuries may also be effected and the fact reported to the Accountant-General, Madras.

II. *Withdrawal of amounts from the Treasury.*—The funds required for day-to-day expenditure of the Government Silk Filatures are drawn by means of cheques on the local Treasury. The cheques are drawn for lump amounts whenever required and all expenditure in connexion with the disbursement of pay and allowances of officers and establishment, wages to labourers, etc., is met therefrom. The Market Officers are also given advances therefrom, for the purchase of cocoons. To ensure that amounts are not drawn in anticipation of requirements prior to the preparation of bills it is necessary to introduce the system (obtaining in other commercial

concerns) of drawing funds by cheques from the Treasury for the exact amounts of bills for pay, travelling allowance, wages of labourers, etc., and by separate cheques for meeting the requirements of Market Officers for the purchase of cocoons.

III. *Accumulation of balances in the cash chest.*—It is noticed that large amounts are drawn by self-cheques far in excess of immediate requirements, with the result that heavy balances were lying in the cash chest. The heavy withdrawals from the treasury in November 1950 and December 1950 and the actual cash balances during those months are given in the Annexure I. This is contrary to the instructions in Article 94 of Madras Financial Code, Volume I. It was explained that for purchasing cocoons at frequent intervals by the Marketing Officers money is always kept in the cash chest to the tune of nearly Rs 50,000. It is disirable that the maximum amount that can be kept in the cash chest at any time is fixed under orders of Government. This was also pointed out in paragraph VI of the previous year's Inspection Report.

IV. *Periodical physical verification of stock.*—It is seen that physical verification of stock was not conducted in the Filatures before 31st March 1951 (Article 143 of the Madras Financial Code, Volume I). The verification of stores was begun in June 1951 and in respect of the following items, it is still in progress :—

Cocoons, dyestuffs, medical stores, Japanese reeling machinery spare parts, handloom accessories, pipes and fittings, fuel, petrol.

The result of the verification and action taken thereon may be intimated to audit.

Steps may kindly be taken to ensure that physical verification of stock is conducted before 1st April of each year.

V. *Security deposits.*—(i) It is seen that large sums of money ranging up to Rs. 10,000 even at times are advanced to the Grainage Assistants entrusted with the purchase of cocoons. A cash security of Rs. 200 only is taken from them for the moneys of Sericultural section handled by them. Additional security for the cash of the Filatures entrusted to them for the purchase of cocoons has not been taken.

Action to put up proposals in this regard has been promised by the Sericultural Expert. This may be expedited.

(ii) Security deposit has not been recovered from the temporary store clerk Mr. Sankaran as enjoined in Article 276 of Madras Financial Code, Volume I. Steps may be taken to collect the security forthwith, under intimation to audit.

(iii) It is seen that fidelity bond executed by Mr. Saiduddin Ahmed, Silk Store-keeper, expired on 22nd August 1950. Early action may be taken to have it renewed as prescribed in Article 282 of Madras Financial Code, Volume I.

(iv) No security has been recovered from the clerk in charge of cocoon stores. It is explained that the Manager (Technical) holds charge of the stores. As however, Mr. Dasaratharaman is actually placed in immediate charge of the stores, it is necessary that security deposit is recovered from him as per the Code Rule cited above. This may now be done.

VI. *Balance of stores on hand.*—A sum of Rs. 22,689-6-0 has been shown in the Balance Sheet as the value of stores (other than cocoons) on hand on 31st March 1951. This sum is worked out by adding the receipts and deducting the issues to the last year's closing balance. The stores registers have been maintained with values but the balances as per the stores registers have not been extracted at any time and the total reconciled with the figures in the Balance Sheet. An abstract may be prepared in future showing the opening balance, receipts, issues and closing balance in the stores registers. The closing balance as on 31st March 1951 may be worked out from the stores registers and the same reconciled with the figures shown in the Balance Sheet.

The omission recurred though the same was pointed out in paragraph 11 of Audit Note of the previous year and action was promised to be taken in this regard.

Section III.

I. *Pro forma accounts.*—The accounts of the Filatures for the year ended 31st March 1951 have been audited and the following accounts and statements are appended:—

(i) Balance Sheet as on 31st March 1951.

(ii) Manufacturing Account of silk for the year ended 31st March 1951.

(iii) Trading Account of silk for the year ended 31st March 1951.

(iv) Combined Manufacturing and Trading Account of the Weaving section for the year ended 31st March 1951.

(v) Combined Profit and Loss Account (Silk and Fabrics) for the year ended 31st March 1951.

(vi) Statement showing the monthly consumption of cocoons, wages paid and yield of silk (Statement I).

(vii) Interest calculation sheet (Statement II).

~~(viii)~~ Statement of land, buildings, plant and machinery, etc. (Statement III).

II. Manufacturing Account—(1) *Cost of production.*—The total cost of production of silk during the year 1950–51 worked out to Rs. 42-14-5 per lb. as against Rs. 52-2-0 per lb. during 1949-50—vide details given below:—

	1950-51. 22,726 lb.		1949-50. 9,600 lb.	
Production	Total charges. (1) Rs.	Cost per lb. (2) Rs. A. P.	Total charges. (3) Rs.	Cost per lb. (4) Rs. A. P.
1 Raw material	7,90,617	34 12 8	3,50,903	36 3 5
2 Direct wages	1,02,934	4 8 6	44,580	4 9 7
Prime cost ..	8,93,551	39 5 2	3,95,483	40 13 0
3 Factory overheads ..	76,748	3 6 0	82,551	8 8 4
	9,70,299	42 11 2	4,78,034	49 5 4
Less sale of dead pupas, duppion and silk waste.	50,768	2 3 9	35,253	3 10 3
Cost of production ..	9,19,531	40 7 5	4,42,781	45 11 1
4 General overheads ..	55,220	2 7 0	62,326	6 6 11
Total cost ..	9,74,751	42 14 5	5,05,107	52 2 0*

*The figure arrived at during last year is Rs. 50-12-7 as the miscellaneous recoveries credited in the profit and loss were also taken into account. These recoveries have been excluded in the current report for the purpose of working out production cost.

The decrease in the cost of production is mainly due to increase in production and decrease in factory and general overheads during the year. During the year 1950-51, the factory was not open to prodoction for a period of 3 months and 23 days as against 6 months and 15 days in the preceding year. A general reduction of establishment of 33-1/3 per cent was given effect to from 1st August 1950 but this cut was partially restored when production increased.

(2) *Raw material—Cocoons.*—(*a*) The purchase cost of cocoons, the only raw material of the business, during the two years (1949-50 and 1950-51) is compared in the statement given below : —

	1950-51.	1949-50.
	LB.	LB.
Total quantity purchased	4,07,922 6	2,17,200 12
	RS. A. P.	RS. A. P.
Total cost	7,52,040 7 10	3,23,246 2 1
Cost per lb.	1 13 6	1 7 10

The average cost of cocoons worked out to Rs. 1-13-6 per lb. during 1950-51 as against Rs. 1-7-10 in the preceding year. This exceeded the price of Re. 1-4-0 per lb. fixed by the Tariff Board, as a fair price. The increase in cost of cocoons was more than counter-balanced by the better quality of cocoons purchased during the year as shown in sub-paragraph (*b*) below.

(*b*) The quantities of cocoons consumed, good silk obtained and the renditta (i. e., the weight of cocoons per pound of silk) during the years 1950-51 and 1949-50 are given below.—

Year.	Cocoons consumed.	Silk obtained.	Renditta.
	LB.	LB.	
(1)	(2)	(3)	(4)
1950-51	4,07,922	22,726	17·95
1949-50	2,04,066	9,690	21·1

The lower renditta during the year under report as compared with that for 1949-50 is due to the comparatively superior quality of cocoons purchased during the year. The percentage of double cocoons (inferior variety) to the total quantity purchased during the year worked out to 3·5 against 6·05 in the preceding year.

(3) *Valuation of by-products/allocation of overheads.*—The total quantity of duppion and silk waste which are by-products have been valued at the average selling rates with reference to the orders contained in paragraph 3 of G.O. Ms. No. 5334, Development, dated 29th December 1950. The pay and allowances of officers and staff have been allocated between factory overheads and general overheads in the ratio of 2 : 1. The pay and allowances of Market Officers stationed at Kollegal, Hanur, Kamakarai, Chilukuvadi and Seed Cocoon Purchasing Assistant at Talavadi are now met by the Sericultural section. A portion of their pay and allowances is correctly chargeable to the accounts of the Filatures (in proportion to the services rendered by them to the Filatures). Action may be taken to give effect to the correct procedure in future.

III. Trading account.—(*a*) The Trading account for the year under review shows a gross profit of Rs. 81,940 as against Rs. 1,40,435 during 1949-50. The decrease is due to the fact that, while the heavy closing stock

of 1948–49 was disposed of during 1949–50 at favourable rates, the margin of profit for the sales in respect of yarn produced during 1950–51 was comparatively less. The sales of silk during the year 1950–51 amounted to Rs. 9,69,555 as against Rs. 10,23,498 during the year 1949-50.

(*b*) *Closing stock.*—*Rs.* 1,55,233-13-9.—The items of closing stock have been valued at the cost of production as it is lower than the selling rates prevailing at the close of the year.

(*c*) *Value of silk to be written off*—*Rs.* 6,218-6-6.—The amount represents the value of stock found deficient during stock verification in 1947–48. Out of Rs. 6,616-9-9 representing the value of stock found deficient, a sum of Rs. 398–3–3 was written off during 1950–51.

'*IV. Combined manufacturing and trading account of weaving section.*—(*a*) The Weaving section continues to work on an experimental basis as a temporary measure and the question of retaining this permanently and to introduce the working of the same on power-looms is stated to be still under the consideration of Government. The working of the section has resulted in a profit of Rs. 1,741 during 1950–51 as against Rs. 1,969 during the preceding year. The decrease is due to lower selling rates of silk consequent on the adoption of reduced rates of Rs. 6 and Rs. 2–4–0 per lb. for organzine and tram, respectively, with reference to G.O. Ms. No. 5334, Development, dated 29th December 1950, as against Rs. 9 and Rs. 7–4–0 adopted during the preceding year.

(*b*) Silk issued to the Weaving department has been priced at the prevailing selling rates at the time of issue and not on the actual cost of production. The rates at which issues of silk from stock to the Weaving section are to be made will have to be fixed with reference to the actual cost of production of silk as already suggested in paragraph IV of the report for 1948–49.

The selling prices of fabrics from the Weaving section are so fixed as to allow a flat margin of 8 annas per yard to cover incidental expenses and a small margin of profit. With reference to paragraph IV (*b*) (iv) of the report for 1949–50, it was suggested to Government by the Director of Industries and Commerce in his letter No. 6352/D1/50, dated 20th March 1951 that an addition of 6¼ per cent might be made to the cost of fabrics to cover incidental charges and profit. Orders of Government are awaited in this regard.

(*c*) *Overheads.*—Pay and allowances of foreman (approximately Rs. 800 per annum) who is solely engaged in the Weaving section are now charged to the Silk section, but the above sum is correctly chargeable to the Manufacturing and Trading account of Weaving section. This was already suggested in paragraph IV (*c*) of the previous report and is promised to be followed from 1951–52 [vide the Director's letter to Government cited in sub paragraph (*b*) above].

V. Combined Profit and Loss account of silk and silk fabrics—(*a*) *Depreciation*—*Rs.* 4,523.—The Director of Industries and Commerce addressed Government in his letter No. 1487/F-4/50, dated 30th July 1951, for orders regarding the adoption of uniform rates of depreciation in all Government commercial concerns under his control. Pending final orders of Government fixing the percentage and the method of depreciation to be adopted, the same percentages as were adopted during the previous years have been adopted during this year also by the diminishing balance method.

(*b*) *Books and periodicals—Rs.* 133-2-0.—This represents the cost of books and periodicals purchased during the period. No inventory of the books and periodicals has yet been opened. This may be expedited.

(*c*) *Leave and pensionary contribution—Rs.* 3,069.—The leave and pensionary contribution has been worked out in accordance with the orders of Government contained in paragraph 2 of G.O. Ms. No. 2013, Development, dated 2nd May 1951.

(*d*) *Interest on capital.—Rs.* 13,579-2-0.—Details of working will be found in Statement II. Interest in respect of capital invested during 1950-51 should be calculated at 4·25 per cent with reference to G.O. No. 578, Finance, dated 15th May 1951, instead of at 4 per cent. Necessary adjustments may be made in the accounts for the next year.

(*e*) *Rent Rs.* 5,992-14-0.—This includes a sum of Rs. 1,977-8-0 being the rent realized in 1950-51 in respect of Kollegal Silk Filature buildings taken over by Government Silk Filatures and let out to the Sericultural section.

VI. Balance sheet—(a) Land, buildings, plant and machinery, etc.—Rs. 5,12,745-8-10.—(i) The amount of Rs. 13,565-10-0 shown as additions during the year represents the cost of station-wagon purchased during the year.

(ii) As the rate of depreciation for each class of asset is different, the *value of each class* of asset (land, buildings, etc.) and the additions thereto as also depreciation written off in respect of each should be shown separately in the Balance sheet as in the case of other commercial concerns. The depreciation written off to the end of previous year and that provided for the year should be shown separately in the Balance sheet.

(*b*) *Sundry debtors—Rs.* 9,735-10-1.—Out of this amount, a sum of Rs. 652-11-0 represents the cost of fabrics, etc., supplied on credit during 1950-51 for which cost has yet to be recovered. Credit sales have been effected even during the year under report, without the sanction of Government, notwithstanding the fact this was pointed out in paragraph VI (b) of the previous year's report. Early action may be taken to have the credit sales regularized and to effect recovery of the amount.

(*c*) *Amount due from the Central Silk Board—Rs.* 1,222-13-4.—The amount represents expenditure during 1950-51 incurred towards transport and erection of Japanese silk reeling machinery on behalf of the Central Silk Board, New Delhi, recoverable from them. The recovery is awaited.

(*d*) *Demurrage charges*—Rs. 203.—A sum of Rs. 203 was incurred in March 1951 as demurrage charges on Atwood silk twisting machinery imported from abroad. The matter is under correspondence with the Traffic Manager, Southern Railways, Mysore, who was addressed for refund of the amount. The result of the correspondence may be intimated.

(*e*) *Profit and loss reserve account—Rs.* 5,72,963-13-10.—A profit and loss reserve account created as required in G.O. Ms. No. 799, Development, dated 23rd February 1950, as amended in G.O. Ms. No. 1627, Development, dated 21st April 1950, shows a balance of Rs. 5,72,963-13-10 after inclusion of the profit for the year under review.

VII. Comparison of actuals with the budgeted figures.—A comparative statement showing the budgeted figures and the actuals under the following heads for 1950-51 is given as Annexure II :—

(i) Profit or loss.

(ii) Cost of service, purchase pri[illegible]naterials, other production factors, etc.

(iii) Volume of production.

(iv) Volume of sales.

The variations (under each head) are also explained therein.

VIII. Financial review—(*a*) *General.*—The Government Silk Filatures, Kollegal, was acquired by the Government of Madras from the Government of India on 1st September 1945. It was run as a State Trading scheme till 1st October 1948 since when it has been treated as a regular commercial concern. Except during the years 1947–48 and 1948–49 when the concern sustained a loss owing to the fall of price of silk due to Japanese imports the concern has been earning profit throughout. During the current year, the working of the Filatures resulted in a net profit of Rs. 46,911. Taking this into account, the total net profit earned by the concern to date is Rs. 5,72,964.

(*b*) *Accumulation of stock.*—During the period under audit, the entire output of silk was disposed of at favourable rates leaving only a small balance 3,200 lb. manufactured towards the close of the year. It was, however, seen that on the date of audit the stock had accumulated to 21,300 lb. as shown below :—

Period. (1)	Opening stock. (2)		Production. (3)		Total. (4)	
	LB.	OZ.	LB.	OZ.	LB.	OZ.
April 1951	3,200	13	2,751	15½	5,952	12½
May 1951	5,730	13½	4,648	12½	10,379	9½
June 1951	10,333	10½	4,432	15	14,766	9½
July 1951	14,746	12½	4,026	6½	18,773	2½
August, up to 20th	18,715	5½	2,584	12½	21,300	2

Difference between column (4) in one month and column (2) in the succeeding months represents issues to the Weaving section.

It was explained that the market rates of silk are on the downward trend due to the sale of imported foreign silk at far cheaper rates and that to guard against losses, the stocks of the filatures are held back from sale. This would indicate the necessity to watch carefully the trend of market and issue orders for quick disposal of the goods at the most opportune moments to prevent accumulation of stock and possible deterioration in quality.

(*c*) *Disposal of surplus plant and machinery.*—It is seen that out of 384 basins purchased in 1945, 64 basins have been dismantled to make provision for the installation of a new twisting machinery. Early action has to be taken to dispose of the dismantled basins to the best advantage of Government as they are no longer required in the Filatures. In view of the fact that the possibilities of utilizing the plant and machinery of Kollegal Silk Filature which contains 150 basins appear to be far remote, the question of their disposal may be taken up early. If the plant and machinery are to be disposed of, there will be a decrease in the amounts of depreciation and interest charges on capital of about Rs. 1,05,460 resulting in the reduction of present overheads. This was already mentioned in paragraph V of the report for 1948–49 and paragraph IV of the report for 1949–50.

(*d*) The Atwood silk twisting machinery to the value of Rs. 3,15,500 capable of producing 50 lb. of organzine silk per day has been imported from abroad in March 1951 and its installation is awaited. This will go a long way in meeting the demand for thrown silk for the handloom silk weaving industry and improving further the financial position of the Filatures.

(e) The question of systematization of imports of foreign raw silk by restricting the grant of licences is under the active consideration of the Central Silk Board. The final outcome of the proposals will be watched with interest as the decision has an important bearing on the future of the silk industry.

IX. Subject to the foregoing remarks, I certify that I have obtained all the information and explanations that I have required and that the balance sheet signed by me as relative thereto exhibits a true and correct view of the state of affairs of the Government Silk Filatures, Kollegal, as on 31st March 1951.

R. SUBRAHMANIAM,
Assistant Examiner (Outside Audits),

ANNEXURE I.

[Vide Section II—Paragraph III of the report.]

Self-cheques drawn,

Date.	Amount. Rs.	Date.	Amount. Rs.
1950—		1950—	
30th October	50,000	27th November	50,000
4th November	50,000	30th November	50,000
10th November	50,000	7th December	50,000
13th November	50,000	15th December	50,000
22nd November	50,000		

Cash balances exclusive of advances pending with subordinate officers lying in the chest.

Date.	Amount. Rs.	A.	P.	Date.	Amount. Rs.	A.	P.
1950—				1950—			
30th October	45,698	6	4	27th November	46,346	0	1
31st October	40,771	5	10	28th November	30,352	6	4
1st November	27,788	10	10	29th November	20,379	7	7
2nd November	18,633	9	4	30th November	64,542	8	7
3rd November	18,055	11	4	1st December	46,283	2	1
4th November	56,884	11	1	2nd December	45,469	0	7
5th November	49,152	7	8	3rd December	30,469	0	7
6th November	43,028	15	7	4th December	30,579	3	7
7th November	22,561	15	1	5th December	28,834	1	7
8th November	23,128	10	1	6th December	18,992	12	10
9th November	18,169	7	10	7th December	48,599	0	7
10th November	48,629	0	10	8th December	43,604	2	10
11th November	36,891	2	10	9th December	28,493	9	10
12th November	17,053	0	10	10th December	28,493	9	10
13th November	66,377	11	10	11th December	27,592	2	4
14th November	66,377	11	10	12th December	23,862	3	1
15th November	50,255	11	7	13th December	13,466	0	1
16th November	47,021	5	7	14th December	7,935	11	1
17th November	46,349	7	7	15th December	59,667	7	1
18th November	41,149	1	7	16th December	50,464	15	1
19th November	41,149	1	7	17th December	45,601	14	1
20th November	41,909	15	4	18th December	40,790	2	1
21st November	35,713	12	4	19th December	38,885	14	7
22nd November	65,334	3	4	20th December	—		
23rd November	56,123	11	4	21st December	34,873	0	10
24th November	34,524	7	4	22nd December	25,893	9	10
25th November	17,044	10	10	23rd December	20,375	0	10
26th November	3,044	10	10	24th December	20,375	0	10

ANNEXURE II—(*Vide* Paragraph VII in Section III).

Comparison of estimated figures exhibited in the Production and Sales Budget with the actuals for 1950-51.

	Estimate for the year. (1)	Actuals. (2)	Reasons for the variation. (3)
	Rs.	Rs.	
I. Silk—			
1. Net profit	1,54,848	45,171	The decrease in profit as compared with the estimate is mainly due to (i) reduced production for the reasons stated against item (3) below and (ii) the idle expenditure of Rs. 41,416 incurred during the period of closure of the factory for three months and twenty-three days.
2. Cost of service (purchase price of materials, other production factors, etc.)	17,99,452	9,74,751	The decrease is not proportionate to the decrease in production due to (i) increase in the purchase price of raw materials, i.e., cocoons, the average cost of which worked out to Rs. 1-13-6 per lb. as against the estimated rate of Re. 1-6-0 per lb. and (ii) the actuals under direction charges and interest on capital exceeded the budget provision as shown below:—
			Estimate. (1) Rs. / Actuals. (2) Rs. / Difference (3) Rs. Direction .. .. .. 5,000 / 9,026 / 4,026 Interest on capital .. .. (—) 5,200 / 13,580 / 18,780 Total .. .. / .. / 22,806
			and (iii) the idle expenditure incurred during the period of closure.
	Lb.	Lb.	
3. Volume of production ..	52,500	22,726	The factory was not open to production for three months and twenty-three days during the year and the actual number of basins worked was 36,614 as against an estimated number of 67,200. This was mainly due to inadequate supply of cocoons on account of adverse seasonal conditions (such as failure of rains).

	Estimate for the year. (1) Estimate. Quantity. LB.	Estimate for the year. (1) Estimate. Value. RS.	Actuals. (2) Actuals. Quantity. LB.	Actuals. (2) Actuals. Value. RS.	Reasons for the variation. (3)
4. Volume of sales—					
Silk	50,000	17,50,000	20,186	8,96,304	The reduction in sales (quantity) is due to reduced production during the year. The products were sold at more than the estimated rates during the year.
Duppion	5,500	55,000	3,549	53,567	
Silk waste	35,000	70,000	9,633	30,050	
	..	18,75,000	..	9,79,930	
Artificial fabrics—					
		RS.		RS.	
1. Net profit		4,106		—1,174	The decrease is due to reduced production during the year.
2. Total cost of service		63,626		27,572	The cost per yard worked out to Rs. 12-6-6 as against the estimated rate of Rs. 9-11-3. This is mainly due to reduction in the quantum of production by each labourer as stated in item 3 below.
		YDS.		YDS.	
3. Volume of production ..		6,912		2,151	The fall in the production of silk cloth is mainly due to the fact that all the looms were engaged in the manufacture of crepe, 3 shuttle weaving and lace border sarees to meet the demand as against the plain ones estimated to be produced. Each loom can produce only ¾ yard (to 2 yards) of the sarees of the above type as against 3 yards of a plain fabric per day.
	Quantity. YDS.	Value. RS.	Quantity. YDS.	Value. RS.	
4. Sales	6,500	61,752	4,096	40,037	The reduction in sales is due to reduced production during the year. The products were sold at slightly more than the estimated rates.

GOVERNMENT SILK FILATURES, KOLLEGAL.

BALANCE SHEET AS ON 31ST MARCH 1951.

Capital and liabilities.						Property and assets.					
	Rs.	A.	P.	Rs.	A.	P.		Rs.	A.	P.	Rs.	A.	P.
Capital as per Balance Sheet on 1st April 1950.	1,04,457	5	8				Land, buildings, plant and machinery.						
Add—Leave and pension contribution up to 31st March 1950.	30,363	2	8				*Add*—Additions	13,565	10	0			
Interest up to 31st March 1950.	2,13,227	15	0				Total ..	5,52,437	5	5			
Audit fee up to 31st March 1950.	5,381	5	0				*Deduct*—Depreciation and disposals.	39,691	12	7			
				3,53,429	12	4					5,12,745	8	10
Add—Cheques drawn	11,61,799	4	0				Finished products—						
General Provident Fund deductions.	1,958	6	0				Silk lb. 3,200–13	1,32,292	2	6			
Income-tax and surcharge ..	46	14	0				Duppion silk lb. 257–13½	4,218	6	3			
Debit adjustment by Accountant-General.	6,828	14	9				Silk waste lb. 6,750–3	18,723	5	0			
Leave and pension contribution for 1950–51.	3,069	0	0								1,55,233	13	9
Interest for 1950–51	13,579	9	0				Fabrics				25,797	5	9
Audit fees for 1950–51 ..	950	0	0				Loss of silk to be written off ..				6,218	6	6
Secretariat charges	925	0	0				Raw materials—						
Direction charges	9,026	0	0				Good cocoons lb. 1,14,604–8 ..	1,97,685	7	9			
				11,98,182	15	9	Rat-eaten cocoons	1,369	5	11			
				15,51,612	12	1	Gold and silver lace	353	13	0	1,99,408	10	8
							Other stores—						
							Fuel	2,594	11	0			
							Coal	426	3	6			
							Miscellaneous stores	18,856	11	9			
							Petrol	318	8	0			
							Dye stuff	493	3	9			
											22,689	6	0
							Service postage				99	8	9
							Sundry debtors				9,735	10	1
							Due from Central Silk Board ..				1,222	13	4
							Demurrage charges (suspense) ..				203	0	0

BALANCE SHEET AS ON 31ST MARCH 1951—*cont.*

Capital and Liabilities.						Property and assets.					
Deduct—						Stock in process—					
	RS.	A.	P.	RS.	A. P.		RS.	A.	P.	RS.	A. P.
Remittances into treasury ..	12,12,829	8	0			Silk	5,022	1	3		
Sales tax remitted and adjusted ..	— 15,907	0	9			Gold lace	651	4	6		
	11,96,922	7	3							5,673	5 9
Credit adjustment	18,887	12	10			Objection book advance repayable				34	0 0
Payments on behalf of Sericultural section.	2,166	6	0			Security deposit as per contra				600	0 0
General Provident Fund withdrawal.	619	0	0			Closing cash balance				4,928	6 3
				12,18,595	10 1						
Closing capital				3,33,017	2 0						
Liabilities—											
Outstanding liability	..			33,400	6 7						
Sundry debtors—credit balance ..	..			1,720	14 0						
Sales tax payable	..			2,887	11 3						
Security deposits	..			600	0 0						
Profit and Loss Reserve Account—											
Profit to end of 1949–50	5,26,052	2	10								
Add Profit for 1950–51	46,911	11	0								
				5,72,963	13 10						
				9,44,589	15 8						
										9,44,589	15 8

29 Diff.

Manufacturing Account for Silk for the year ended 31st March 1951.

Dr.

Particulars.	Amount. Rs. A. P.	Amount. Rs. A. P.
To Raw materials consumed—		
Cost of cocoons 407,922 lb. 6 oz.	7,52,040 7 10	
Add—Conveyance charges	15,588 4 3	
Other incidental charges ..	1,773 3 3	
		7,69,401 15 4
„ Cost of fuel consumed	5,350 1 9	
Add—Conveyance charges	7,794 2 2	
		13,144 3 11
To Cost of electric power consumed ..	..	5,031 15 0
„ Coal consumed		648 8 6
„ Cost of general stores consumed including freight, etc.	..	2,390 12 3
„ Wages and dearness allowance of labourers.	..	1,02,934 5 9
„ Pay and dearness allowance of factory staff.	..	27,062 10 0
„ Do. Officers 2/3 ..	..	2,257 8 0
„ Do. Office staff 2/3	..	5,568 11 0
„ Travelling allowance	..	3,095 10 0
„ Maintenance of boiler	..	487 12 6
Do. plant and machinery.	..	1,615 10 5
Do. buildings. ..	..	499 8 7
Do. Cart	..	1 2 0
„ Depreciation of factory buildings, plant, etc.	..	32,194 15 3
„ Other miscellaneous expenses (taxes, etc.)	1,784 2 3 2,179 3 0	
		3,963 5 3
		9,70,298 9 9

C

Particulars.	Amount. Rs. A. P.
By sale of dead pupæ	783 8 3
„ Value of transferred to trading account—	
(i) Silk, lb. 22,725-14	9,19,530 15 6
(ii) Duppion silk, lb. 805-11½	12,161 1 3
(iii) Silk waste, lb. 12,103-6	37,823 0 9
	9,69,515 1 6
	9,70,298 9 9

Dr.

TRADING ACCOUNT FOR THE YEAR ENDED 31ST MARCH 1951.

Cr.

(SILK)

Particulars.	Amount.	Amount.	Particulars.	Amount.	Amount.
	Rs. A. P.	Rs. A. P.		Rs. A. P.	Rs. A. P.
To Opening Stock—			By Sale of—		
Silk, lb. 1,070–5	49,539 10 6	..	Silk, lb. 20,185–10¾	8,96,304 0 0	..
Duppion silk, lb. 3,047–15¾ ..	42,005 0 6	..	Duppion silk, lb. 3,548–8	53,566 9 3	..
Silk waste, lb. 3,635–9	1,891 3 3	..			9,49,870 9 3
Kilchas	13 7 0	..	Silk waste (sales), lb. 9,632–12		30,058 14 0
Throwsters waste	54 0 0	..	„ Silk issued to weaving section, lb. 445–14		19,684 10 6
		93,503 5 3	„ Closing Stock—		
Value of stock to be written off.		6,616 9 9	Silk lb. 3,200–13		11,32,292 2 6
To Production—			Duppion silk, lb. 257–13¼		4,218 6 3
Silk, lb. 22,725–14	9,19,530 15 6	..	Silk waste lb. 6,750–3		18,723 5 0
Duppion silk, lb. 805–11¼	12,161 1 3	..	„ Value of stock to be written off—		6,213 6 6
Silk waste, lb. 12,103–6	37,823 0 9	..			
		69,515 1 6			
„ Packing materials	..	1,604 4 9			
„ Petrol	14,385 5 0				
„ Maintenance of motor vehicles including pay of drivers and cleaners.	17,026 3 7				
	31,411 8 7				
Less lorry hire	235 0 0				
	31,176 8 7				
Half ~~of Rs. 15,568–4–3~~ to cocoons.	15598-4-3				
Quarter of Rs. 7,794–2–2 to fuel.	7,794-2-2				
„ Carriage outwards	..	7,794 2 2			
„ Agents' commission	..	92 7 0			
„ Gross profit	..	81,940 7 7			
		11,61,066 6 0			11,61,066 6 0

SILK FABRICS.

COMBINED MANUFACTURING AND TRADING ACCOUNT OF THE WEAVING SECTION FOR THE YEAR ENDED 31ST MARCH 1951.

Dr.

Particulars.	Rs. A. P.	Amount. Rs. A. P.
To Opening Stock—		
Fabrics	..	37,521 5 11
Yarn (silk)	..	2,298 10 6
Gold and silver lace	..	205 9 8
„ Silk obtained from Silk section.	..	19,684 10 6
„ Weaving charges	..	5,080 9 9
„ Gold and silver laces obtained from stores.	..	4,697 10 4
„ Bleaching	..	68 15 11
„ Dyes consumed	..	209 11 0
„ Profit carried over to profit and loss account.	..	1,740 11 11
		71,507 15 6

Cr.

Particulars.	Rs. A. P.	Amount. Rs. A. P.
By sale of fabrics	..	40,037 4 0
„ Closing stock of silk fabrics manufactured.	25,635 15 3	
„ Gudiyattam	161 6 6	
		25,797 5 9
„ Silk in Weaving section and on looms.		5,022 1 3
„ Gold lace in Weaving section and on looms.		651 4 6
		71,507 15 6

Combined Profit and Loss Account for the year ended 31st March 1951;

SILK AND SILK FABRICS.

Dr. **Cr**

Particulars.	Amount. Rs.	A.	P.	Particulars.	Amount. Rs.	A.	P.
To Pay and allowances of officers 1/3	1,128	12	0	By Profit from Trading account	81,940	7	7
„ Pay and allowances of office establishment 1/3 ..	2,784	5	0	„ Do. Weaving section	1,740	11	11
„ Medical aid	1,472	9	4	„ Rent	5,992	14	0
„ Postage	1,121	9	6	„ Sale of fuel chips	22	10	0
„ Stationery and forms	682	7	2	„ Other receipts	2,738	14	9
„ Office contingencies	99	5	3	„ Trailer pump hire charges	179	7	0
„ Property-tax (other than factory buildings)	950	14	0	„ Forwarding charges collected	20	3	6
„ Books and periodicals	133	2	0	„ V.P. charges collected	5	12	0
„ Advertisement	1,225	0	0				
„ Exhibition expenses	893	11	9				
„ Repairs to cycles	54	9	9				
„ Depreciation other than factory	4,523	0	0				
„ Leave and pensionary contribution	3,069	0	0				
„ Direction charges	9,026	0	0				
„ Interest on capital	13,579	9	0				
„ Audit fees	950	0	0				
„ Secretariat staff fee	925	0	0				
„ Electric consumption charges	559	1	0				
„ Maintenance of electrical installation	1,184	4	8				
„ Maintenance of creche	811	2	2				
„ Write-off-rat of eaten cocoons	234	5	1				
„ Maintenance of livestock	266	4	2				
„ Do. tools	55	5	11				
„ Net profit	46,911	11	0				
Total ..	92,641	0	9	*Total* ..	*92,641*	*0*	*9*

STATEMENT I.

Statement showing monthly consumption of cocoons, wages paid and yield of silk and silk waste during the year 1950-51.

Month	Cocoons consumed good/double.	Wages paid.	Percentage of wages to cocoons consumed.	Silk produced.	Dupion silk produced.	Silkwaste produced.	Percentage of silk produced to good cocoons used.	Percentage of dupion silk produced to double cocoons used.	Percentage of silk waste produced to cocoons used.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	LB. OZ.	RS. A. P.		LB. OZ.	LB. OZ.	LB. OZ.			
April 1950	..	767 5 0	..	6 13¼	..	..	..	..	..
May 1950	..	851 3 0	..	9 6	..	..	..	..	..
June 1950	630 0	603 9 0	95·87	18 12¾	0 1¾	12 8	2·98	..	1·98
July 1950	7,709 8 172 0	3,067 1 0	38·91	524 10¼	10 0	229 0	6·80	5·81	2·91
August 1950	29,813 0 1,512 0	10,270 10 0	32·47	1,828 11¼	113 15¾	913 12	6·14	7·44	2·92
September 1950	44,863 4 2,038 10	10,555 3 0	22·50	2,352 3	92 15	1,118 12	5·24	4·56	2·39
October 1950	42,491 8 2,220 4	10,515 0 0	23·51	2,669 2¾	10¾ 8	1,380 0	6·28	4·57	3·09
November 1950	54,881 12 1,958 0	13,234 1 0	23·28	3,375 1¾	96 7¾	1,941 8	6·15	4·93	3·41
December 1950	60,221 8 2,373 0	14,812 1 0	23·66	3,576 5¼	98 12¾	1,802 0	5·94	4·16	2·88
January 1951	54,113, 12 859 0	13,749 14 0	25·01	2,940 12¾	72 4¾	1,604 8	5·43	3·41	2·92
February 1951	46,969 8 1,311 4	11,546 2 0	23·91	2,568 12	82 13¾	1,321 0	5·47	6·31	2·74
March 1951	51,893 4 1,876 4	13,380 4 0	24·88	2,655 3¾	136 2¾	1,624 12	5·50	7·25	3·02
Total ..	393,602 0 +14,320 0	1,03,352 0		22,725 14	805 11¼	11,947 12*			

* Excludes 155 lb. 10 oz. being excess found in stock verification.

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STATEMENT II.

Calculation of interest for 1950–51.

	Rs. A. P.	Rs. A. P.
Opening Capital	..	3,53,429 12 4
Add—		
Cheques drawn	11,61,799 4 0	
General Provident Fund Deductions	1,958 6 0	
Sales tax and general charges	46 14 0	
Debit adjustments	6,828 14 9	
Leave salary contribution	3,069 0 0	
Audit fees	950 0 0	
Secretariat staff charges	925 0 0	
Direction charges	9,026 0 0	
Opening cash balance	11,040 7 4	
		11,95,643 14 1
		15,49,073 10 5
Deduct—		
Remittance	12,12,829 8 0	
Less sales tax	15,907 0 9	
	11,96,922 7 3	
Credit adjustment	18,887 12 10	
Payment on behalf of Sericultural section ..	2,166 6 0	
General Provident Fund withdrawal	619 0 0	
Closing cash balance	4,928 6 3	
		12,23,524 0 4
Closing capital without interest		3,25,549 10 1
Interest on Rs. 3,53,429–12–4 at 4 per cent ..		14,137 3 0
Interest on mean capital— Rs. 3,25,549–10–1 *minus* 3,53,429–12–4 / 2 or		
— Rs. 13,940–1–2 at 4 per cent.		— 557 10 6
		13,579 9 0

STATEMENT III.

Statement of land, buildings, plant and machinery, etc.

Particulars.	Value of assets as on 31st March 1950.	Additions.	Disposals.	Net total.	Depreciation for 1950-51.	Depreciated value of assets as on 31st March 1951.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.	RS. A. P.
1 Land	9,171 1 7	..	..	9,171 1 7	..	9,171 1 7
2 Main building	38,091 11 1	..	..	38,091 11 1	2,857 0 0	35,234 11 1
3 Cocoon storage	31,196 13 5	..	..	31,196 13 5	2,340 0 0	28,856 13 5
4 Silk examining and packing room	4,592 1 6	..	..	4,592 1 6	344 0 0	4,248 1 6
5 Manager's quarters	5,716 8 9	..	..	5,716 8 9	143 0 0	5,573 8 9
6 Masonry drains	2,142 2 9	..	..	2,142 2 9	161 0 0	1,981 2 9
7 General stores and workshops	1,474 12 7	..	..	1,474 12 7	111 0 0	1,363 12 7
8 Boiler room	1,797 4 0	..	..	1,797 4 0	135 0 0	1,662 4 0
9 Office building	27,686 9 3	..	..	27,686 9 3	2,076 0 0	25,610 9 3
10 Chowkidars' quarters	1,169 6 2	..	..	1,169 6 2	88 0 0	1,081 6 2
11 Latrines and urinals for work people	1,854 15 1	..	..	1,854 15 1	139 0 0	1,715 15 1
12 Roads and culverts	1,608 12 6	..	..	1,608 12 6	121 0 0	1,487 12 6
13 Compound wall and gate	1,174 15 8	..	..	1,174 15 8	88 0 0	1,086 15 8
14 Double garage	710 1 1	..	..	710 1 1	53 0 0	657 1 1
15 Quarters for Technical Expert	6,172 3 6	..	..	6,172 3 6	154 0 0	6,018 3 6
16 Lunch sheds	3,384 13 5	..	..	3,384 13 5	254 0 0	3,130 13 5
17 Service reservoir	1,297 4 4	..	..	1,297 4 4	97 0 0	1,200 4 4
18 Servants' quarters	650 3 2	..	..	650 3 2	49 0 0	601 3 2
19 Latrines for staff	558 7 0	..	..	558 7 0	42 0 0	516 7 0
20 Saraswathi Bai Labour Colony	27,076 11 10	..	..	27,076 11 10	677 0 0	26,399 11 10
21 Reeling basins and machinery	93,105 0 6	..	..	93,105 0 0	11,173 0 0	81,932 0 6
22 Tools and equipment	27,439 14 4	..	..	27,439 14 4	3,293 0 0	24,146 14 4
23 Boilers	24,227 11 7	..	..	24,227 11 7	2,423 0 0	21,804 11 7
24 Station wagon	364 9 1	13,565 10 0	364 9 1	13,565 10 0	..	13,565 10 0
25 Steam and water pipe connexions	20,648 10 10	..	..	20,648 10 10	2,478 0 0	18,170 10 10
26 Stifling chamber	258 15 0	..	..	258 15 0	19 0 0	239 15 0
27 Furniture in Technical Expert's quarters	389 7 5	..	..	389 7 5	23 0 0	366 7 5
28 Water-supply and sinking of bore-well	3,956 13 7	..	..	3,956 13 7	237 0 0	3,719 13 7
29 Furniture in Manager's quarters	406 4 7	..	..	406 4 7	24 0 0	382 4 7
30 Ford trucks	773 1 4	..	..	773 1 4	193 0 0	580 1 4
31 Sechoir	8,979 10 9	..	..	8,979 10 9	1,078 0 0	7,901 10 9
32 Bullock	346 15 3	..	..	346 15 3	196 15 3	150 0 0
33 Furniture in Kollegal Silk Filature	2,728 6 3	..	..	2,728 6 3	164 0 0	2,564 6 3
34 Cart	315 14 2	..	..	315 14 2	38 0 0	277 14 2

STATEMENT III—*cont.*

Statement of land, buildings, plant and machinery, etc.—cont.

Particulars.	Value of assets as on 31st March 1950.	Additions.	Disposals.	Net total.	Depreciation for 1950–51.	Depreciated value of assets as on 31st March 1951.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
35 Radio sets	87 8 8	..	..	87 8 8	11 0 0	76 8 8
36 Seriplane and board	929 2 6	..	..	929 2 6	111 0 0	818 2 6
37 Denier scale	24 3 9	..	..	24 3 9	3 0 0	21 3 9
38 Serimeter	129 1 3	..	..	129 1 3	15 0 0	114 1 3
39 Denier testing machine	142 14 9	..	..	142 14 9	17 0 0	125 14 9
40 Silk throwing plant	10,904 8 7	..	..	1,904 8 7	133 0 0	1,771 8 7
41 Traitor pump	2,609 4 3	..	2,609 4 3	..	..	..
42 Electrification	15,583 12 0	..	..	15,583 12 0	1,558 0 0	14,025 12 0
43 Establishment charges	2,855 11 0	..	..	2,855 11 0	..	2,855 11 0
44 Handloom, first set	436 5 10	..	..	436 5 10	26 0 0	410 5 10
45 Handloom, second set	797 7 6	..	..	797 7 6	48 0 0	749 7 6
46 Scientific instruments	252 15 9	..	..	252 15 9	30 0 0	222 15 9
47 Books and periodicals	88 0 3	..	..	88 0 3	..	88 0 3
48 Silk waste godown	26,017 0 0	..	..	26,017 0 0	1,951 0 0	24,066 0 0
49 Atwood silk twisting machinery	1,13,460 0 0	..	..	1,13,460 0 0	..	1,13,460 0 0
50 Bangalore silk twisting machinery ..	22,085 6 0	..	..	22,085 6 0	1,546 0 0	20,539 6 0
Total ..	5,38,871 11 5	13,565 10 0	2,973 13 4	5,49,463 8 1	36,717 15 3	5,12,745 8 10

77/29/12

Dco(MT) Dfte

45

Memo: 13577 MI/57-1 d. 19.12.57

Sub: Industries - Sericulture - Govt. Silk Filatures Kollegal - Audit report and accounts for the year 1950-57

Ref from the A.G. No. OA. 31-24/57-52/406 d. 7.12.57.

—x—

The Audit report on the accounts of the Govt. Silk Filatures, Kollegal for the year 1950-57 is enclosed. The S.G.P., is requested to arrange for the printing of the report and to forward 3 one sided printed copies of it very urgently. The types should be kept standing until further orders.

2. The D/Dc is requested to submit his remarks on the Audit Report very urgently before 25.1.58

Dfte 17.12.57 18/12

19/12/57

Pl issue Dfte 19.12.57

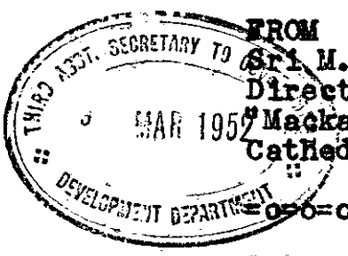
To The S.G.P with original of the Audit report to be returned.

To the D/Dc.

Compd 20/12

27003 47

No.2439/D1/51. Office of the Director of Industries & Commerce, Madras.6. dated 4th March '52.



FROM
Sri M.T.Raju, Bar-at-law, I.C.S.,
Director of Industries and Commerce,
"Mackays' Gardens", Mount Road,
Cathedral P.O., Madras - 6.

TO
The Secretary to Government,
Development Department,
Madras - 9.

Sir,

Sub:- INDUSTRIES - Sericulture - Government Silk Filatures, Kollegal - Audit Report and Accounts for the year 1950-51.

Ref:- Government Development Memo No.135177-M.I/51-1 dated 19th December, 1951.

I furnish the following remarks on the several points raised in the audit report on the accounts of Government Silk Filature, Kollegal for the year 1950-51.

PARAS I & II - No remarks.

SECTION I (a) (2) INTRODUCTION OF COST ACCOUNTING - PARA III

In as much as the post of Cost Accountant sanctioned in G.O.No. 2867 ,Development dated 21-6-1951 (i.e) during the year 1951-52 was filled up only on 27-10=1951 the Cost Accounting System could not be introduced during the year. The Sericultural Expert has been instructed to introduce the system from 1--4--1952.

SECTION I (b) - BLEACHING LOSSES:-

Revised percentages upto which losses due to bleaching of silk can be allowed were recommended to Government in this office letter No. 6362 D1/50 dated 20-9-1951 and final orders of Government are awaited.

SECTION A - PARA 2 - STORING OF SILK.

The Executive Engineer, Salem Division, Mettur Dam has been asked to prepare an estimate for the construction of a store room for storing silk. On receipt of the estimate, Government will be addressed for necessary sanction.

SECTION X. (B)

3 Buildings:-

Government have passed orders in Memo No. 41290 M1/51-5 Development dated 18-10-1951, that the value of the buildings transferred to the Public Works Department need not be recovered from the Public Works Department.

SUNDRY DEBTORS.

Kind reference in invited to para VI of section B in this office letter No. 6362 D/50 dated 20-9-51 and early orders of Government are requested in the matter.

p.t.o.

SECTION II.

I/Reconciliation:

(a) The Cashier Accountant of the Filature was sent to Coimbatore during the third week of December 1951 and the Department figures in respect of 'I Remittances' and II cheques' have since been reconciled with those booked at the Huzur Treasury, Coimbatore for the year 1950-51 and upto November 1951- in 1951-52.

& The statements of reconciliation have been forwarded to the Accountant General by the Sericultural Expert.

- (b), (c) & (d) - The Sericultural Expert has reported that the correct procedure is being followed with effect from December 1951 accounts as reconciliation has already been carried out upto November 1951 and that reconciliation with other Treasuries also will be carried out with effect from December 1951.

II Withdrawal of amounts from Treasury:- The Sericultural Expert, Government Silk Filature, Kollegal has been instructed to draw separate cheques for pay allowances, T.A. and wages of workmen etc., in future for the exact amount of the bills as suggested by the Accountant General.

III Accumulation of cash in the cash chest: The necessity for keeping large amounts of money in the cash chest was already explained to Government in para VI of section A of this office letter No. 6362 D1/50 dated 20-9-1951 and the orders of Government are awaited.

IV Verification of stock: The reports received from the stock verifying officer are being examined in consultation with the Sericultural Expert and a final report on the results of the stock verification will be sent to the Accountant General shortly.

V Security Deposits. The security of Rs. 100/- taken from the Grainage Assistants is for some of the articles such as "Microscope" etc., entrusted to them for safe custody The purchase and disbursement of cocoons were hitherto made by the Market Officers themselves; but now that the Sericultural Expert is the head of both the Sericultural and Filature sections, the disbursement work is entrusted to the Grainage Assistants for securing administrative efficiency. The Grainage Assistants are doing this work in addition to their work relating to the Sericultural Section. It is considered that if the present system should continue permanently, additional security for the cash of the Filature Section entrusted to them may have to be taken. This aspect will be examined and further report will be submitted.

V. (contd).,

(ii) The Store Clerk Sri R.Sankaran is not in service now. The security will be obtained from the clerk who is now in charge of stores.

iii) The Sericultural Expert has been asked to take immediate action to have the fidelity bond renewed if not already done.

iv) The Sericultural Expert is being instructed to collect from the Store Keeper the security deposit as suggested by the Accountant General.

VI - BALANCE OF STORES ON HAND:-

The Sericultural Expert has promised to reconcile the stock of stores as on 31-3-1951 and on receipt of his report, a report will be submitted to Government.

Section III.

I - Proforma Accounts.
II - (1) Cost of production.
(2) Raw materials.

No remarks.

(3) Valuation of bye products:

Kind attention of Government is invited to this office letter No. 6362 D1/50 dated 20-9-1951 wherein I have explained that it will not be appropriate to debit any portion of the pay of the market organization to the accounts of the Government Silk Filature. Government orders are awaited.

III (a) (b) - No remarks.

(c) The balance of Rs. 6,218-6-6 has also been written off by Government vide G.O.No.1992 Development dated 1--5--1951.

IV (a) - No remarks.

(b) - Government have issued orders directing that the silk issued to the Weaving Section should be valued with reference to the cost of production vide Development Memo No. 90271 M.I/51-4 dated 30-11-1951. The Sericultural Expert was thereupon asked to report whether it would be possible to give effect to the orders of Government from the beginning of this year (1951-52). He has submitted his remarks and they are under examination. A further report will follow:-

(c) Over heads:

I invite a kind reference to this office letter No. 6362 D1/50 dated 20-3-51 wherein I have submitted that the question of debiting the pay and allowances of the foreman in charge of the hand loom to the trading and manufacturing accounts may be considered after the weaving section is made permanent or the PowerLoom Weaving Section is started at the Government Silk Filature, and final orders of Government are awaited.

V (a) Depreciation.
Government have approved the uniform rates of depreciation in G.O.No.4391 Development dated & 4-10-51 and these rates will be adopted from the year 1951-52.

(b) Books & Periodicals.
An inventry will be opened by the Sericultural Expert as suggested by the Accountant General, Madras.

(c) Leave and Pensionary contribution:
No remarks.

(d) Interest on capital:
Sericultural Expert has been asked to note the instructions.

(e) Rent: No remarks.

VI - Balance sheet.

(a) (i) No remarks.

(ii) In giving effect to the suggestion made by the Accountant General, the Sericultural Expert states that the figures will have to be worked out from 1.9.45, the date on which the concern was purchased by the Madras Government for the Government of India and it will take a long time to work out the same. He has however promised that the suggestions will be followed and adopted in the Balance Sheet for 1951-52.

(b) Credit sales are not allowed at the filatures. A small stock of silk fabrics is kept in the Central Office for sale. As soon as sales are effected invoices are sent to the parties for payment. The sum of Rs. 652-11-0 will be recovered soon and remitted.

(c) Amount due from the Central Silk Board;
Rs. 1,222--13--4: The Central Silk Board has remitted a sum of Rs. 2,000/- to Government Silk Filatures and this has been credited to Government Silk Filature accounts. The sum of Rs. 1,222--13--4 due from the Central Silk Board will be adjusted from this amount.

(d) Demurrage charges:
The matter is still under correspondence with the Railway authorities. The result of the correspondence will be reported in due course.

(e) No remarks.

VII. No remarks.

VIII (a) & (b)

(c) = Disposal of Surplus machinery:-
A separate report has been promised by the Sericultural Expert and on receipt it will be submitted to Government.

(d) and (e) - No remarks.

IX. No remarks.

for DIRECTOR OF INDUSTRIES

SDS/6.3.

8/3/52

55

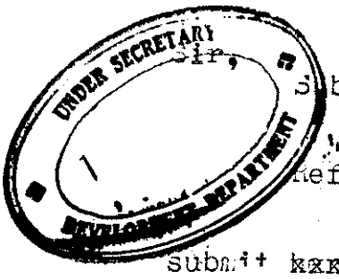
Department of Industries and Commerce.
****

De 64347

From
Sri.M.T.Raju, Bar-at-Law., I.C.S.,
Director of Industries & Commerce,
Madras 6.

To
The Secretary to Government,
Development Department,
Madras 9.

No.2439-D1-51 dated 7th June 1952.



Sir,

Sub°- Government Silk Filature, Kollegal - Audit report on the accounts for the year 1950-51.

Ref°- This Office letter No.2439-D1-51 dated 4-3-52.

In continuation of this Office letter cited above, I submit ~~xxxxxxx~~ below my further replies in respect of the audit report on the accounts of the Government Silk Filature, Kollegal for the year 1950-51.

Section I Para 2 Cost Accounting°-

The Sericultural expert has reported that process costing would be introduced from 1st April 1952. Till now only monthly costing statements were prepared from which the cost of silk per lb. has been arrived at. I have deputed the Commercial Accountant from this Office to examine whether the correct procedure is being adopted by the Sericultural expert in assessing the cost at various stages of productions.

Section II Para IV - Verification of stock°

The final report on the results of the annual stock verification for the year 1950-51 is under preparation and will be submitted to Government separately.

Para V Security Deposits°-
Security from grainage Asst.

The Sericultural expert has issued instructions to the Sericultural Section in the matter. I shall submit a further report on hearing from the Sericultural expert.

Security from the Cocoon Store Keeper°-

The present Cocoon store-keeper has been asked by Sericultural expert to furnish security and I shall submit a further report on hearing from the Sericultural expert.

Para VI - Balance of Store on hand°

The value of the stores under stock accounts as per the ledger have been reported to the Accountant-General, Madras to adjust the difference.

V. Rajamanna

Dr /7-6. For Director of Industries & Commerce

10.6.

(C.No.135177 G/51).

Dev.(G) Dept.

***

Sub:- Industries - Sericulture - Govt. Silk Filatures, Kollegal - Audit Report, 1950-51 - Recorded with remarks.

Read again:- G.O.Ms.No.5334 Devt. dt. 29-12-50
G.O.No.Ms.690, Devt. Dt. 25-2-52.

Read also:- From the A.G., Madras No.OA 31-24/51-52/406, dated 7-12-1951.
From the D.I.& C. No.2439/D1/51, dt.4-3-
--do-- No.2439 D1/51, dt.7-6-

G.O.Ms.No. 3414 dated 7-8-52

R e c o r d e d:

SECTION I.

2. Paragraph III(a) of the Audit Report - Report on the accounts for 1948-49 - Cost accounts.

Process costing system of accounts would be introduced in the Govt. Silk Filatures, Kollegal for the year 1952-53, from 1-4-1952 onwards.

3. Paragraph III(b)(1) of the Audit Report - Report on the accounts for 1949-50 - Bleaching Losses.

Revised percentages upto which losses due to bleaching of Silk can be allowed have been fixed in paragraph 4 of G.O. Ms.No.690 Devt dt. 25-2-52.

4. Paragraph III(b)(2) of the Audit Report - Report on the accounts for 1949-50 - Storing of Silk.

The D.I.& C. is requested to expedite the proposals for the construction of a store room for storing Silk.

5. Paragraph III (b) (3) of the Audit Report- Adjustment of value of buildings transferred to P.W.D.

In Memorandum No.41290 M.I/51-5, Devt. dated 18-10-51, the Govt. have decided that as the residential and non-residential buildings of the Govt. Silk Filatures, Kollegal were transferred to the P.W.D. for better management only and as commercial accounts are maintained by the Industries Deptt. for the Silk Filatures, there is no need for the P.W.D. to maintain Capital and Revenue accounts for the buildings separately or pay the value of the buildings to the Department of Industries and Commerce by book adjustment.

6. Paragraph III (b)(4) of the Audit Report - Sundry Debtors -

Credit sales of handloom fabrics to the extent of Rs. 1,060-3-6 have been ratified by the Govt. in para 15 of G.O.No.Ms.690 Devt. dt. 25-2-52.

SECTION II.

7. Paragraph I of the Audit Report - Reconciliation of the figures booked in the department with those of Treasury.

The D.I.& C. is informed that in future there should be no delay in the reconciliation of the departmental figures with those of the Treasury and that the instructions of the A.G. regarding reconciliation of figures should be strictly followed.

8. Paragraph III of the Audit Report - Accumulation of balances in the cash Chest.

In paragraph 6 of G.O. No.Ms.690 Devt. dt. 25-2-52, the Govt. have fixed Rs. 20,000/- as the limit up to which the Sericultural Expert, Kollegal may draw cash or keep cash in the cash chest at any one time.

9. Paragraph IV of the Audit Report - Periodical physical verification of stock.

The final report of the D.I.& C. on the results of the annual stock verification for the year 1950-51 is awaited. The annual stock verification for 1951-52 should also be expedited.

The D.I.& C. is requested to see that in future the annual physical verification of stock in the Filatures is conducted before 1st April of each year.

10. Paragraph V of the Audit Report - Security Deposits.

The D.I.& C. is requested to take immediate action in the matter as pointed out in Audit.

The further report from the D.I.& C. in regrd to the collection of security deposits from Grainage Assistants and the Cocoon Store keeper is awaited.

11. Paragraph VI of the Audit Report - Balance of Stores on hand.

(1) The D.I.& C. is requested to submit a report on the reconciliation of the stock of stores as on 31-3-51 after adjustment of the difference.

(ii) The instructions ~~in the Audit~~ of the A.G. regarding preparation of ~~the~~ abstract from the stores registers and its reconciliation with the figures shown in the balance sheet should be strictly follow in future. The D.I.& C. is requested to report why the omission recurred even though it was pointed out in the Audit Note of the previous year.

SECTION III.

12. Paragraph II (3) of the Audit Report - valuation by products and allocation of ove heads.

The view, that since the Govt. Silk Filatures, Kollegal, is merely a buyer of cocoons, it will not be appropriate to debit any portion of the pay of the market organisation to its accounts has been accepted by the Govt. - Vide para 8 of G.O.No.Ms. 690 Devt. dt. 25-2-1952.

13. Paragraph III(c) of the Audit Report - Value of Silk to be written off.

The write off of a sum of Rs. 6,218-6-6 being the value of Silk found deficient during Stock verification in the Govt. Silk Filatures, Kollegal has been sanctioned by the Govt. in G.O.No.Ms.1992 Devt. dt. 1-5-51.

14. Paragraph IV of the Audit Report - (i) Silk issued to the Weaving Dept-

The D.I.& C's report on the valuation of silk issued to the weaving Dept. is awaited.

(ii) Fixation of selling prices of fabrics.

The Govt. have decided ~~the~~ that question of adding overhead charges to the ~~following~~ selling price of fabrics should be considered after the weaving section is made permanent or after the power loom section commences working. The proposal of the D.I.& C. to fix the margin of profit ~~of~~ for sale of Silk fabrics at 6¼ per cent of the cost of the fabrics has been accepted by the Govt. and orders issued in para 10 o G.O.No.Ms.690 Devt. dt. 25-2-52.

(iii) Over-heads.

In his letter No.6362 DI/50, dt. 20-3-51, D.I.& C. has reported that the suggestion of the

Audit Report to debit the pay and allowances of the Foreman to the Manufacturing and Trading Account of the Weaving Section will be followed from 1951-52. The D.I.& C. is requested to report whether he has not done so.

15. Paragraph V of the Audit Report -

(i) Depreciation.

Uniform rates of depreciation in all Govt. Commercial concerns under the control of the D.I.& C. have been fixed in G.O.No.Ms.4391 Devt dt. 4-10-1951.

(ii) Books and Periodicals.

An inventory of Books and periodicals purchased by the Sericultural section should be opened at an early date and a report submitted to the Govt.

16. Paragraph VI of the Audit Report -
(i) Land, buildings, plant and machinery etc. - Rates of depreciation.

The suggestions of the A.G. that the value of each class of asset (land, buildings etc.) and the additions thereto, depreciation written off in respect of each, depreciation written off to the end of the previous year and that provided for during the current year may be shown separately in the Balance sheet will be given effect to from 1951-52 onwards.

(ii) Sundry debtors.

The D.I.& C. is requested to collect at once the amount of Rs. 652-11-0 being the cost of Silk fabrics sold during 1950-51 and to submit a report to the Govt. The D.I.& C. is informed that in future sale of silk fabrics kept in the central office should be made only against cash payment on the spot.

(iii) Demurrage charges:

The D.I.& C. is requested to expedite the matter and to submit a report to the Govt. at an early date.

X' mp 20 g (B)
Y' mp 24 g S.N.
p 26 g SN
ON mp 25 g SN.
D mp 25 g S.N.
p 27 g S.N.
VI(a)(ii) mp 27 g SN
A mp 27 g SN.
add
mp 27-28 g S.N
p 29 g SN
A mp 29 SN
VI (a) mp 31 g S.N.
B mp 31 g S.N.

P.T.O

61

P 35 g-S.N

17. Paragraph VIII(c) of the Audit Report - Disposal of surplus plant and machinery.

The report from the D.I.& C. is awaited.

To
The D.I.& C. (5 copies)
The A.G. thro' Fin.
The Finance Dept.

21/7/52

C.B.E.

Para 4 — 5-2-53.
" 9 — C.No. 66374 G/52
" 10 — 25-1-53.
" 11(i) — C.No 116157 G/52
" 11(ii) — 15-1-1953.
" 14(i) — C.No 116157 G/52.
" 14(iii) — 10-2-53.
" 15(ii) — 10-2-53.
" 16(ii) — 1-2-53.
" 16(iii) — 20-2-53.
" — C.No. 286779 G/52

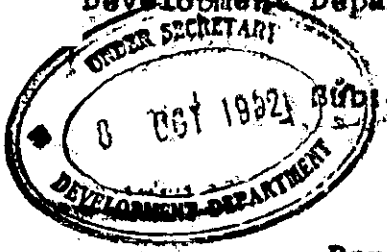
Entered in C.B. Nos 37043.

Press slip along with enclosure sent to S.G.P.

SPECIAL

Dev 113274 S/n 8-10-52

Copy of U.O.Note No. 70022/Accts-1, dated 24th September, 1952, from the Government of Madras, Finance Department, Madras to the Development Department.



Subject:- Appropriation Accounts for 1949-50 and the Audit Report 1951 - Audit and Administration Reports - Furnishing of.

Departments of the Secretariat have been hitherto sending to the Finance Departments only 20 copies of each of the Audit and Administration Reports in respect of the Commercial undertakings under their administrative control for use at the time of the meetings of the Public Accounts Committee. The strength of the Public Accounts Committee, has been increased from 10 to 15 from the current year.

A | It is, therefore, requested that 25 copies of the Audit and Administration Reports of each Commercial concern may be sent to the Finance Department in future, i.e. with effect from the Reports for 1950-51.

R. Rangachari,
Additional Deputy Secretary to Govt.

To Development, Home and Rural Welfare Departments.
Copy to other Departments of the Secretariat including Food and Agriculture (Food Production) excepting Finance and Legal

---

112822 R/52. Development (R) Dept.

To A.S.

Copies may be given to sections concerned.

Dev (S) Dept

C.R.
8-10-1952.

Copies of the Audit Report of the S.S.R. Kollegal (P.T.O)

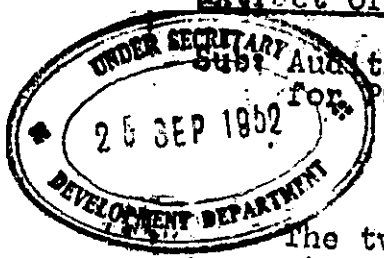
for the year 1950-51 are under print. With ref to A-
on p 1 above, 25 copies of the Report will be sent
to Fin Deptt on receipt of the printed copies from the S.G.P.
No action seems therefore called for on this.
May be ~~Budget~~ added to the Connected file.

11-10-52

11/10/52

65
57

Extract of notes from file bearing Cm.No. 104917 DII/52



Subject: Audit and Administration Reports - Supply of copies for Public Accounts Committee.

108253

Fin. (Accts.) Dept.

The twenty copies of the Audit Report for 1950 - 1 in respect of the Govt. Industrial Engg. Workshops referred to on p.1 above are retained in the section for use at the meetings of the P.A.C. to consider the Appn. Accts. for 1950-1.

Since the membership of the P.A.C. has been raised to 15 from the current year, Devt. may be requested to send 5 addl. copies of the above report.

A They may be also be requested to send in future 25 copies of such Audit and Administration Reports concerning them to this Deptt. for use by the P.A.C. at its meetings.

xxx 15.9.52.

Devt.(DII) Deptt.

Please see Fin. Deptt.'s note on pp.2-3 above. 5 more copies of the Audit Report and accounts of the Govt. Engg.Workshops for 1950-51 may be sent to Finance.

p.t.o.

: 2 :

With ref. to 'A' above, extracts of notes from this file may be given to all sections in this Department for information. After this is done, the file may be returned to Finance.

A. CHANDRASEKHAR, 19.9.52
Under Secretary to Government.

Copy to all Sections in Development.

Forwarded-By Order

TRR.19.9. SUPERINTENDENT.

With reference A in connection with the note in page 1 above 25 copies of the Audit Dept of the G.S.F. College will be sent for the year 1950-51 in due course. This may be added to the file relating to the present Audit Dept by the Collector for 1950-51.

65

Dev (S) Dept

Memo No. 134020 E/52 - 1 dt 24-11-52

Subject:- Industries - Sericulture - Govt Silk Filatures, Kollegal - Audit Report 1950-51 -

25 Copies of the Audit Report of the Govt Silk Filatures, Kollegal, for the year 1950-'51 may be forwarded to the Finance Deptt for the use of the P.A. Committee

Recently from Dept. it have [illegible] to send 25 [illegible]

Kept back in file

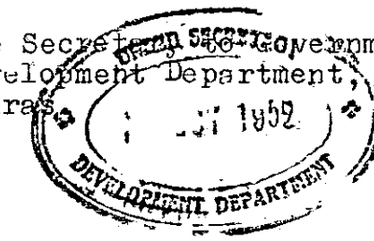
To

The Fin Deptt.

Industries and Commerce Department

From
Sri M.T.Raju,Bar-at-Law.,I.C.S.,
Director of Industries & Commerce,
Madras.6.

To
The Secretary to Government,
Development Department,
Madras.



No.2439.D1/51. dated 10-10-1952.

Sir,

Sub: Industries -Sericulture -Government SilkFilatures, Kollegal -Audit report on the accounts for the period 1950- 51 - further report submitted.

Ref :This office letters No.2439 D1/51 dated 4-3-52 and 7-6-52.

In continuation of this office letters cited I furnish below my further replies in respect of the pending objections raised in the audit report for the year 1950-51.

Section I (b) Bleaching losses:-

2. Revised percentage limits in respect of losses due to bleaching of silk have been approved by Government in G.O.No.690 Development dated 25-2-52.

Section A. Para 2

Storing of silk

3. The Executive Engineer,Salem Division, Mettur Dam who has been asked to prepare plans andestimates for the construction of a store room for storing silk, has not furnished them. I am reminding him in the matter.

Section II Para IV

Verification of Stock

4. The stock verification of the stores in the Government silk filatures has been completed and proposals have been submitted to Government in this office letter No.1670 D1/51 dated 9-6-52 for sanctioning the write off of Rs.1,201-1-2 on account of deficits fund in the stock of silk, silk waste etc. and unserviceability of stores in the Government silk filatures during the year 1950-51. Steps are being taken to ensure that physical verification of stock is conducted before 1st April of each year as suggested by the Accountant General.

Para V .Security deposit

(i) Security from grainage Assistants

5. The Sericultural Expert has promised to submit his further report early.

6. (ii) Janab Dewan Mohid en, a service commission candidate was posted in place of SriSankaran since 5-9-52, but he went on leave from 8-7-52 and subsequently resigned. The clerk who is now in charge of the stores pleads inability to furnish security Tne allotment of a stores clerk by the Madras Public Service Commission is awaited.

/p.t.o./

7 (iii) The silk store keeper is reported to have submitted his application for obtainingfresh security in the form of the fidelity bond and it is being forwarded by the Sericultural Expert to the insurance company.

8 (iv) The present cocoon store keeper SriD.Purushotha man nas been asked to furnish security immediately.

Para VI

Balance of stores on hand

9. The difference between the value of the stores as per the stock book and that as per the ledger has been adjusted in the proforma accounts, 1951-52 which was audited by the Accountant General's staff recently.

Section III
Para IV(b) Valuation of raw silk issued to the weaving section.

10. The valuation of raw silk issued to the weaving section, with reference to the cost of production has beengiven effect to from beginning of the ye r 1951-52 Vide Government memo No.90271M1/51-4 dated 30-11-51.

Sub para to para IV.b.

11 In G.O.No.690 Dev., dated 25-2-52 Government have approved the proposal to fix the margin of profit for sale of silk fabrics at 6¼% of the cost of fabrics instead of a flat rate of annas eight a yard.

Para VI a(ii) Balance sheet
(b) Recovery of Rs.652-11-0

12. Out of the sum of Rs.652-11-0 representing the cost of fabrics etc. supplied on credit during the year 1950-51 an amount of Rs.594-15-0 has been recovered and credited. Regarding the balance of Rs. 57-12-0, the credit will be verified and intimated to audit in due course.

13. (c) The amount of Rs.1222-13-4 due from the Central Silk Board has been adjustedin 1951-52.

(d) Demurrage charges

14. The matter is still pending with the Chief Commercia Superintendent, Southern Railways, Madras.

VII.cDisposal of surplus machinery

15. A further report is being sent separately.

for Director of Industries and Commerce

trs/ 13/6

69 Dev (G) Dept.

Extract from Cell Book.

1. Serial No [illegible]

2. Date of entry [illegible] 8.12.1952

3. Subject: Re-Jodhpur Sericulture - G.S.F. College Audit report 1950-51 Books and papers called for by Secretary to be obtained.

4. Office No. 13577 9/51

5. No. & Date of O.O. authorising entry of item G.O. Hts 34/14 Dev Dt. 7.8.1952.

6. Date when further action is to be taken 10.2.1953

7. File No. & Date of new Current: Secy 15752 9/53 12.2.53

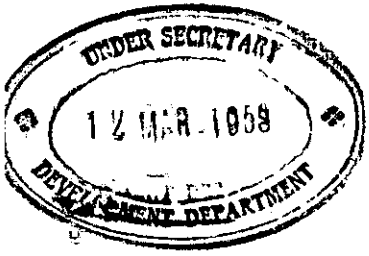
DEPARTMENT OF INDUSTRIES AND COMMERCE

From
Sri.M.T.Raju, Bar-at-Law., I.C.S.,
Director of Industries and Commerce.
Madras.6.

To
The Secretary to Govern
Development Department,
Fort St.George, Madras.

No.2439-D1/51 dated 9th March 1953.

Sir,



Sub:-Industries-Sericulture-Government Silk Filatures-Kollegal-Audit report 1950-51-Books and Periodicals purchased-opening of an inventory.
Ref:-Government Memo No.15752-G/52-1 Development dated 13-2-53.

The Sericultural Expert has reported that the s of all the books that are current has been taken to stock wit inventory of the books as on 1-4-52 and that a separate inven for the periodicals has also been opened from 1-4-52. He has posed to treat the value of the books as per this inventory and the difference between this value and the value now sho the ledger account as expenses on periodicals. This differen be finally charged off to the profit and loss account in 195 accounts. I have also reported this arrangement to the Acco General, Madras.

for Director of Industries and

Krn.

Memo No 1575 G/53-1 dated 13-2-53

Subj:- Industries - sericulture - G.S.F. Kollegal -

Audit report 1950-51 - Books and Periodicals -
purchases by the sericultural Section -
Inventory -

Ref:- Govt No. 3411 dev dated 7.8.52

Complied
14.2.53

pp 24-28 (P)

The attention of the D.I.C. is invited to para 15 (ii) of the G.O. cited and he is requested to expedite this report

13/2/53

p 12-8 (P)

Rep. 26.2.53

E.A. mud 2.3.53

D.A. 3.53

Work (G) Dept.

Extract from Cdl Book:-

1. Serial No [illegible]
2. Date of entry [illegible] 1952. 1-9-52.
3. Subject. Miscellaneous - Derby Hurdle. G.S.P. Collegial Aid Unreported 1950. St Leger. Debt of Rs 652-11-0. Being the [illegible] Gift of Silk Fabrics Ordered on 50-51 [illegible] Allocation of [illegible]
4. Old C.No [illegible] 1352/1272/51
5. No & Date of G.O. G.O. No. 3414 Dept authorising the entry 01. 7. 8. 52.
6. Date when further Allotments to be taken 1. 2. 53.
7. No & Date of new Current:- 1207G

Memo no. 12076 9/53-I dated 3.2.53

Subj:- Industries - Sericulture - Govt. silk filature

Collegal - Audit Report 1950-51 - Cost of Silk, factory sold during 1950-51 - collection

Ref:- GO Rt 3414 Dev. dated 17.8.52

The attention of the D.I.Sc. is invited to para 16(ii) of the GO cited and he is requested to furnish the report called for therein

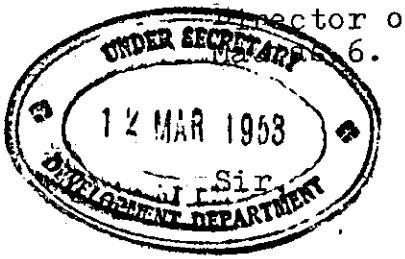
Dy. Sec.
for R.S. 11.3.53

Industries and Commerce Department

29627

From
Sri M.T.Raju,Bar-at-Law.,I.C.S.,
Director of Industries & Commerce,
Madras-6.

To
The Secretary to Government,
Development Department,
Madras.9.



No.2439.D1/51. dated 9-3-1953.

Sir,

Sub: INDUSTRIES - Sericulture -Government Silk Filatures, Kollegal - audit report 1950-51 cost of silk fabrics sold during 1950-51 - collection.

Ref:Government Memo No.12076G/53-1 Dev., dt. 3-2-53.

With reference to the Government memo cited above, I submit that against the sum of Rs.652-11-0 being the cost of silk fabrics sold during 1950-51, a sum of Rs.594-15-0 was already recovered and the fact reported to Government in this office letter No.2439.D1/51 dated 10-10-52.The balance of Rs.57-12-0 will be recovered before the end of March 53. I shall submit a further report as soon as this amount is recovered.

for Director of Industries and Commerce

trs/19/3.

Department of Industries & Commerce.

From
The Director of Industries and
Commerce, Madras.6.

To
The Secretary to Government,
Development Department, Madras.

No.2439-D1/51 dated 18th May 1953.

64797

Sir,

Sub:-Industries-Sericulture-Government Silk Filatures-Kollegal-Audit report on the accounts for 1950-51-Cost of silk fabrics sold during 1950-51-Collection of.

Ref:-1.Government Memo No.12076-G/53-1 Development dated 3-2-53. — p 2 above
2.This office letter No.2439-D1/51 dated 9-3-53. — p 3 above

-v-v-v-v-

In continuation of this office letter cited above, I submit that the sum of Rs.57-12-0 outstanding has since been recovered and remitted to the accounts of the Government Silk Filatures.

Krn.18-5.

for Director of Industries and Commerce.

28 (P 5 above)

12/7/83 Dew (S)

Submitted for perusal.

No further action is called for. The papers may be filed with GO Ms No 3414 Dev dated 9.8.82 — (C)

Original filed in OA 1123980/82

20.5.83

Dept (GS) Dep

x Extract from GI Book

1.	Serial No	38
2	Date of entry	8.12.52.
3	Subject	Industries. Secret Rep G.S.F. Illegal. Audit. report 1950-51, Security deposits from stock keepers and garnage. contractors
4.	Old C.No:	135177 G/51
5.	No: & Date of G.O. authorising the entry	G.O.M. 3414 Dt. 7. 8. 52
6.	Date when further action is to be taken	25. 1. 53.
7.	No: & Date of New Current:	Sec. 9112 G/53 27.1.53

Ver (9)

Memo No. 941-30/1 G/53-1 dated 30-1-53

Sub:- Industries - Sericulture - G.S.F. Koliegal

Audit report 1950-51 - Security deposits

from store keeper and grainage assistants

collection of.

Ref: GO Ms No. 3416 Rev dated 7.8.52

3 2-34
31-1
Contd 31.1.53

(up 26 7.8.52)

The attention of the D.D.I.C is invited to para 10 of the G.O cited and he is requested to expedite his further report on the subject mentioned above.

p 27 (5)

for 2/14/53

Sd/- D.D.I.C.
2/2/53 28.2.53

3/

DEPARTMENT OF INDUSTRIES AND COMMERCE

From
Sri.M.T.Raju, Bar-at-Law.,I.C.S.,
Director of Industries and Commerce,
Madras.6.

To
The Secretary to Government,
Development Department,
Madras.

29626

No.2439-D1/51 dated 9th March 1953.

UNDER SECRETARY
12 MAR 1953
DEVELOPMENT DEPARTMENT

Sir,

Sub:-Industries-Sericulture-Government Silk Filautres-Kollegal-Audit report 1950-51-Security deposits from Store Keeper and grainage assistants-Collection of.

Ref:-Government Memo No.9412-G/52-1 Development Department dated 30-1-53.

With reference to the Government Memo cited above, I submit that security deposits from the Silk Store Keeper and Cocoon Store Keeper have been taken. As regards the collection of security deposits from the grainage Assistants, the Sericultural Expert is taking necessary action. I shall submit a final report in the matter on hearing further from the Sericultural Expert.

for Director of Industries and Commerce

Krn.10-3.

submitted for permal

The 2nd ~~[illegible]~~ final report may be awaited till ~~[illegible]~~ 14.4.53

14/3/53

14/4/53

ER 15.4.53
MR 24.4.53

ER 14.4.53
NR 4.5.53
(Urine)

24/4/53

5

191068

Department of Industries and Commerce

From
Sri M.T.Raju,Bar-at-Law.,I.C.S.,
Director of Industries and
Commerce,Madras.6.

To
The Secretary to Government,
Development Department,
Madras.9

FIFTH ASSISTANT
12 AUG 1968

No.2439.D1/51. dated 7-8-'53.

Sir,

Sub: Industries-Sericulture-Govt.Silk Filatures:Kollegal -Audit report 1950-51 security deposit from store keeper and grainage Assistants collection of.

P27 (5) — Ref:1)G.O.No.3414Dev., dt. 7-8-52\Para:10)
P3 above — 2) this office letter No.2439 D1/51 dated 9th March 1953.

In continuation of this office letter cited above I submit that I have since issued orders in my Proceedings No.2439D1/51 dated P7 below → 7-8-53(copy enclosed) raising the security furnished by the Grainage Assistants in the Sericultural Section to Rs.500/- and instructed the Sericultural Expert to take the additional security before 1-9-'53.

2/ As regards the taking of security from the clerk in charge of stores, the Sericultural Expert has reported that ~~security~~ the lower division clerk no. temporarily posted to work in the stores has pleaded inability to furnish the security and that as soon as a regular candidate is ~~xx~~ appointed, the security will be taken from him.

[Encl: one]

K.Kannakaran
11.8.53.

for Director of Industries and Commerce.

29/10/3

Office of the Director of Industries and Commerce, Madras-6, dated: 7th Aug. 1953

PROCEEDINGS OF THE DIRECTOR OF INDUSTRIES AND COMMERCE.

Sri M.T. Raju, Bar-at-Law., I.C.S.,

No.2439 D.1/51 dated 7th August 1953.

Sub: Establishment - Industries - Sericulture - Grainage Assistants - Security - Fixation of

Ref: (1) This office memo No.D.3-2137/47 dated 16th January 1948.
(2) Accountant General's audit report (Para V) on the accounts of the Govt. Silk Filatures, Kollegal, for 1950-51 and para xI of the audit report on the accounts of the Sericultural Section for the year 1950-51.

(3) Sericultural Expert's letter No.2798 A.1/51 dated 16th June 1953.

--

The Accountant General in his audit reports on the working of the Government Silk Filatures, Kollegal and of the Sericultural Section for 1950-51 has remarked that while large sums of money ranging upto Rs.10,000/- were advanced to the Grainage Assistants for the purchase of cocoons only a sum of Rs.100/- was taken from each as security for the moneys of Sericultural Section handled by them. He has further observed that no additional security for the cash of the Filatures, entrusted to them for the purchase of cocoons, has been taken.

The Director of Industries and Commerce has carefully examined the question in consultation with the Sericultural Expert and with due regard to the present circumstances and conditions is pleased to enhance the amount of security deposit of Rs.100/- already stipulated and furnished by the Grainage Assistants attached to the Sericultural Section to Rs.500/- so as to be in consonance with the large amounts of Government money they are now handling in the discharge of their duties. The security may be furnished in any one of the forms laid down in Article 279 of the M.F.C. Vol. I. The Grainage Assistants should also execute security bonds setting forth the conditions under which the Government hold the security as required by Art. 276 of M.F.C. Vol. I.

(Sd.) M.T. Raju,
Director of Industries and Commerce.

True Copy
Forwarded by order.

Sun 9/53

Acch. CT Dev (S)

The D.O.'s letter at pp 5-7 above, and his earlier letter at p 3 above may be perused. It is seen therefrom that the Dte has taken action as pointed out in para V of the Audit report (vide para 10 of GO No. 3414 Dev dated 7.8.52) no action thereon seems called for

The papers may be filed with GO No. 3414 Dev dated 7.8.52 after perused by Finance

11/8/53 17.8.53

18.8.53

Fin (Accts) Regd

Dev Sec m 9412 9/53-3 18/8/53

Maybe perused & returned to

Acch 66946 1 Aug 1953 669/46

Dev. 28/8/53

Dev 26/8/53

Fin. m. 669/46/Dev 28.8.53

107653

Part II

Dec 14

(5) — Finance Deptt note on p 8 above may be perused.

The papers may be filed with GA No. 3414 dtd dated 7.8.52 as already ordered at 'A' on p 8 above

11/9/53 7.9.53

9.53

Dev. (G) Dept.

(G.O.No. 135177 G/51)

Industries - Sericulture Govt. Silk Filatures, Kollegal - Audit Report for 1950-51 - Review.

Ref:- From the D.I.& C. Madras, No.2439/D1/51, dated 4-3-1952 and
No. 2439/D1/51, dt. 7-6-52.

The Audit Report and accounts of the Govt. Silk Filatures, Kollegal for the year 1950-51 on pp. 3-43 c.f. and the remarks of the Director of Industries and Commerce on pp. 47-55 c.f. are submitted for perusal.

2. The salient features of the year's accounts are set out below:

(i) Financial results: The working of the Govt. Silk Filatures, Kollegal resulted in a net profit of Rs. 46,911-11-0 as against a net profit 1,01,497-1-7 during 1949-50. The decrease in due to the fact that while the heavy closing stock of 1948-49 was disposed of during 1949-50 at favourable rates, the margin of profit for the sales in 1950-51 was compartively less.

The working of the Filatures resulted in losses during the years 1947-48 and 1948-49 due to the fall in the selling price of Silk. The position improved in 1949-50, selling price increased considerably, the entire stock was disposed of and ~~huge~~ considerable profit was earned. The total amount credited to the profit and loss Reserve Account up to the end of 1950-51 is Rs. 5,73,964/-.

(ii) Production

The figures are abstracted below:-

Year	Cocoons Consumed	Silk obtained	Renditta.
1950-51	407,922	22,726	17.95
1949-50	204,066	9,690	21.1

The lower renditta (i.e. the weight of Cocoon per pound of silk) during 1950-51 as compared with that of the previous year is due to the comparitively superior quality of Cocoons purchased during the year.

p.t.o.

2/

(iii) Cost of Production:

The total cost of production of silk in 1950-51 worked out to 42-14-5 per lb. as against Rs. 52-2-0 per lb. during 1949-50 as detailed below.

	Cost per pound. 1949-50			1950-51		
Raw material	36	3	5	34	12	8
Direct charges	4	9	7	4	8	6
Factory overheads	8	8	4	3	6	0
General	6	6	11	2	7	0
Total	55	12	3	45	2	2
Less Sale of dead pupas, duppion and Silk Waste	3	10	3	2	3	9
Net cost per lb.	52	2	0	42	14	5

The decrease in the cost of production is mainly due to increase in production and decrease in factory and general over heads during the vear.

(iv) Trading Account:

The sales during the year under preview, the gross profit and the percentage of gross profit to turnover showed a decrease over those of the previous year as shown in the table below. The decrease is due to the fact that, while the heavy closing stock of 1948-49 was disposed of during 1949-50 at favourable rates the margin of profit for the sales in respect of Yarn produced during 1950-51 was comparitively less.

Year	Value of sales in Rupees.	Gross Profit in Rupees.	percentage.
1949-50	10,23,498	140,435	13.7
1950-51	9,69,555	81,940	8.45

The figures do not include the sale of silk waste during the period.

3. The Silk industry is passing through difficult days. Foreign Silk is being imported and sold at far cheaper rates. The stock of raw silk at the Govt. Silk Filatures on 31-5-52 - as reported by the D.I.& C. is 48,240 lbs. This would indicate the necessity to watch carefully the trend of market and dispose of the goods at the most opportune moment.

Memo 56964 G1/52-2
6-6-52

(Memo 44705-G1/52)
Proposal since drafted - vide pp 4-5 ante (A)
Memo no 44705-G1/52-2
1-7-52

'B' mp 17 CF

The D.I.& C. has been asked to take urgent steps to dispose ~~effect quick sales~~ of the accumulated stock without incurring loss to the Govt. The question of addressing the Govt. of India to relax the restrictions on the export of raw silk and silk fabrics is separately under consideration.

A silk twisting plant capable of producing 50 lb. of organzine silk per day is being installed at the Filatures. This will go a long way in meeting the demand for thrown silk for the handloom weavers and in improving the financial position of the Filatures.

In order to make the Filatures a complete unit, the Govt. have sanctioned the installation of 20 power looms.

Para 14 a, mp 13 CF

The working of the experimental weaving section attached to the Filatures consisting of 12 hand looms resulted in a profit of Rs. 1741/- during the year under review while the profit earned by the section during 1949-50 was 1969/- The decrease is due to the lower selling rates of silk. As the demand for silk fabrics produced on handlooms will continue even after the installation of power looms, the Govt. have approved as a Part II Scheme for 1952-53 the proposal of the D.I.& C. to instal another set of 12 hand looms at the experimental weaving section. Orders will issue after funds are voted by the Legislature at its ensuing session.

Cno 103903 C1/51
(sent to Fin on 30.6.52)

4. The several points raised by the A.G. in his report are examined in the sectional notes below. After orders are passed the file may be sent to P.W.D and Finance for remarks.

For delay vide pp 27-28 ante
P.W. Fin. 2.6
D.I. & C. notes.
Memo 5.7.52, below

52 128

20/6/52

DDL. ASST. SECRETARY TO G... 1-JUL 1952 PUBLIC WORKS DEPARTMENT

P W Fin

Memo. n.o. no. 13517 G-51-5
30-6-52

P.W.D (C)

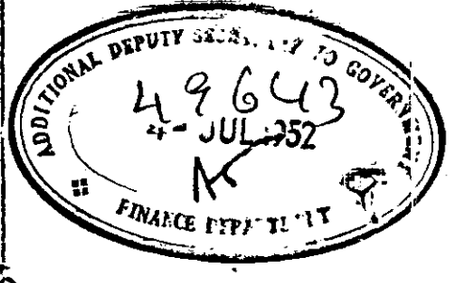
Accts

Notes of Deptt Sooon plants may be perused. The file has been sent to this Deptt w.r.t. p. 27 of the Sec Notes below. Remarks of this Deptt have been offered in the Sec. Notes. The file may be passed on to Finance.

31/7/52 31/7/52 1/8/52 Fri

P.W.D 210 B 261 8-C/521

3.7.52



Fin (Accts)

The Case relates to the Annl Report and Accts of the Govt. Silk Industries. Kohgal, for the year 1950-1.

The remarks of the Deptt. have been added on to Pg. 4, 8, 16, 17, 24, 28 and 30 of the Pectoral Notes below. After orders are passed on the suggestions made therein the Case may be returned to Dte

8/7/52

12.7.52 14/7/52 14/7/52

20560/17/52

from U.O. 49643-

1351
27/52

Dept Depts

This department notes on pp. 1-3 above, and their notes on the S.Notes below P.W.D. and Finance Deptt. notes on p. 4 above may be perused. A draft order is submitted below for approval. It may be sent to Finance for acceptance.

21/7/52

Dev. u.o. no. 13577 B/51.6
22-7-52

Fin (Accts)

ADDITIONAL DEPUTY SECRETARY TO GOVERNMENT
54171
22 JUL 1952
FINANCE DEPARTMENT

(Pre. Fin. 2878 on p 4 above)
The draft order below may be perused and the case returned to Dev.

Dev 28/7/52

28-7-52

Dev.

From U.O. 54171-Accts
52-1-

Dev. (G) Dept.

29-7-52

Dev 8611 B/52
30-7-52

(Summarising Note).

The file relates to the review of the Audit Report of the Govt. Silk Filatures, Kollegal for the year 1950-51. The notes of this department on pp. 1-3 above summarises in brief the salient features of the working of the concern during the year. The draft order below reletes to the several points raised by the Accountant-General in his report. The file may be circulated to M. (I&L) for perusal of the Audit Report.

UNDER SECRETARY
30 JUL 1952
DEVELOPMENT DEPARTMENT

DEPUTY SECRETARY TO GOVERNMENT
5 AUG 1952
DEVELOPMENT DEPARTMENT

6 AUG 1952
DEVELOPMENT DEPARTMENT

1-8-52

1/8/52

T.K. Krishnaswamy

68/52 M (I&L)

4-8-52

Q 66 Cradle
5.

(Orders at 8-0 vide 3414 Dev dt 7-8-52)

Dev. (G) Deptt

Sub:- Industries - Sericulture - Govt. Silk Filatures Kollegal - Audit Report for 1950-51.

Ref:- From the D.I.& C.No.2439 D1/51-Dated 10-10-52.

The Audit Report of the Govt. Silk Filatures, Kollegal for 1950-51 has been received and orders issued in G.O.No.Ms.3414 Devt. dt. 7-8-52.

2. The D.I.& C's report on pp. 1-2 c.f. may be perused. The orders issued in G.O.Ms.No.3414 Devt. dt. 7-8-52 and the D.I.& C's report in so far as they relate to para 9, 11(i), 14(i) and 17 of the order are noted on below:-

Para 9 of the G.O. - Verification of Stock.

The D.I.& C's report is in para 4 on p.1c.f. Proposals for write off a sum of Rs. 1,201-1-2 from the accounts of the Govt. Silk Filatures, Kollega for 1950-51 have been received and dealt with separate No further action is called for.

Para 11(i) of the G.O. - Balance of Stock on ha

The D.I.& C.'s report is in para 9 on p.2 c.f. No further action is called for.

Para 14(i) of the G.O. Silk issued to the Weavi Department.

The D.I.& C. has reported that the proposal to value Silk with reference to the cost of production has been given effect to from the begining of 1951-52 No further action is called for.

Para 17 of the G.O. Disposal of surplus plant and machinery.

The D.I.& C's report has been received and is dealt with separately. No further action is called.

3. In respect of the other points referred to in the G.O., necessary call Book entries have been made for taking further action. No action is called for at present.

p.t.o.

8/ Accs

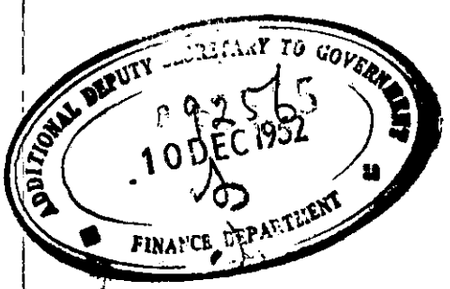
May be lodged and added to G.O.Ms.No.3414 Development dated 7-8-1952 after perusal by Finance.

D 8.12.52 W 9/12/52

Dept no. No: 116157 9/52-1 9.12.1952.

Fin

Fin (Accs)



was no. perus and returned to dev.

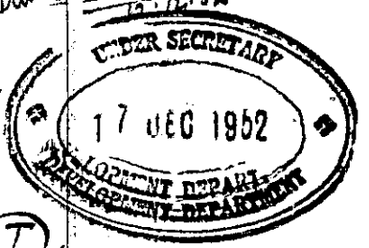
Fin. no. dev 92565/Accs.1

15.12.52

Dev.

Dept 1428 9/52 15-12-52

Dept (G) Dept.



(Note for ... alone)

This may now be lodged and added to G.O.Ms No: 3414 Development Dated 7.8.1952 at (T).

17.12.52 W 17/12/52

18/12

Dev (G) Dehr

(in 135 177 G/57

Spectral NdG

Remarks of the A.G.

INTRODUCTORY.

I. *Scope of audit.*—(*a*) The accounts of the Government Silk Filatu Kollegal, for the year 1949-50 were last audited in December 1950. T present audit is confined to a test-check of the accounts for 1950-51 wit detailed scrutiny of those for March 1951.

(*b*) Sri A. T. Janakiraman, B.SC., continued to hold charge of the post of Sericultural Expert, Government Silk Filatures, Kollegal, during the year.

II. The following are some of the important irregularities noticed during the present inspection :—

(1) Non-reconciliation of departmental figures with those of the Treasury.

(2) Accumulation of balances in cash chest.

(3) Delay in the periodical physical verification of stock.

(4) Omission to recover security deposit from two store-keepers.

They are dealt with in the succeeding paragraphs.

Remarks of the D.I.& C.

Paras I & II - No remarks.

Dew (G) 26/6

Office Note

No remarks on these general observations.

26/6/51

24/6

25/6

Remarks of the A.G.

ction I.

III. *Outstanding points of the previons Inspection Reports—(a) Report on the accounts for* 1948-49—*Paragraph IX—Cost accounts.*—Cost accounting has not yet been introduced in the concern to assess the cost of production at every stage, viz., (1) cost up to the stage the cocoons are sorted and issued for reeling, (2) cost after reeling, (3) cost of silk produced after cleaning, baling, etc., and (4) cost of silk made into organzine and tram for weaving purposes. The total cost of production per pound of silk produced is worked out at the end of each month and the same communicated to the Director of Industries and Commerce for information. The selling rate is, however, fixed with reference to the market conditions, under orders of the Director. Now that a post of Cost Accountant has been sanctioned by Government in G.O. Ms. No. 2867, Development, dated 21st June 1951, it should be possible to introduce costing in the concern, as suggested above. Action taken in this regard may be intimated.

(b) *Report on the accounts for* 1949-50—*Section A*—(1) *Paragraph IV Bleaching losses.*—The maximum limit fixed by the Director of Industries and Commerce for losses due to bleaching and approved by Government in G.O. Ms. No. 5334, Development, dated 29th December 1950, had been exceeded in a number of cases and it was suggested that the reasons therefor might be investigated and revised percentages prescribed, if necessary. Orders of Government on the revised percentages proposed by Sericultural Expert in his letter No. 362-A-2/51-1, dated 7th July 1951, to the Director of Industries and Commerce are awaited.

(2) *Paragraph V—Storing of silk.*—Silk yarn is stored in a room just like other ordinary stores. The desirability of taking adequate precautions in storing the silk in a storing room was suggested for consideration. The Executive Engineer, Public Works Department, was addressed by the Sericultural Expert in letter No. D/51, dated 30th June 1951, in the matter but no reply has yet been received from him. Action in this regard should be expedited.

Remarks of the D.I.& C.

SECTION I (a) (2) INTRODUCTION OF COST ACCOUNTING - PARA III.

In as much as the post of Cost Accountant sanctioned in G.O.No.2867 Development dated 21-6-1951 (i.e.) during the year 1951-52 was filled up only on 27-10-1951 the Cost Accounting System could not be introduced during the year. The Sericultural Expert has been instructed to introduce the system from 1-4-1952.

SECTION I (b) - BLEACHING LOSSES:-

Revised percentages upto which losses due to bleaching of silk can be allowed were recommended to Government in this office letter No.6362 D1/50 dated 20-9-1951 and final orders of Government are awaited.

SECTION A - PARA 2 - STORING OF SILK.

The Executive Engineer, Salem Division, Mettur Dam has been asked to prepare an estimate

for the construction of a store room for storing silk.- On receipt of the estimate, Government will be addressed for necessary sanction.

Further remarks of D.I.& C.

The Sericultural Expert has reported that process costing would be introduced from 1st April 1952. Till now only monthly costing statements were prepared from which the cost of silk per lb. has been arrived at. I have deputed the Commercial Accountant from this office to examine whether the correct procedure is being adopted by the Sericultural Expert in assessing the cost at various stages of productions.

Office Note

Cost Accounts:- The post of Cost Accountant was filled up only on 27-10-51 and the D.I.& C. has reported that the process costing system of accounts would be introduced from 1-4-52. The A.G. may be informed accordingly. For orders.

Bleaching losses.

Orders fixing rivised parcentages up to which losses due to bleaching of silk can be allowed have been issued in G.O.No.690 Devt. 25-2-52 - Vide para 4. The attention of the A.G. may be invited to this. For orders.

Storing of Silk:-

The D.I.& C. may be asked to expedite proposals for construction of a Store room for storing silk.

Fin (Accts)

No special remarks seem called for.

Remarks of the A.G. 5

Section B—(3) Paragraph VI (a) (i) Balance sheet.—Orders of Government regarding the question of adjustment of the full market value of the buildings transferred to the Public Works Department are awaited.

(4) Sundry debtors.—Orders of Government approving credit sales of Rs. 1,060-3-6 effected during 1949-50 are awaited.

Remarks of the D.I.& C.

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SECTION B- (3)- Buildings:- Government have passed orders in Memo No. 41290 MI/51-5, Development dated 18-10-1951, that the value of the buildings transferred to the Public Works Department need not be recovered from the Public Works Department.

SUNDRY DEBTORS.

Kind reference in invited to para VI of section B in this office letter No. 6362 D/50 dated 20-9-51 and early orders of Government are requested in the matter.

Office Note Dev (Ind.) Dept.

Buildings:

In April 1949 the Govt. ~~have~~ ordered the transfer of the residential and non-residential buildings of the Govt. Silk Filatures, Kollegal, and Sericultural section to the Public Works Deptt. Register of Buildings. In Memo No. 41290 MI/51-5, dated 18-10-51 the Govt. have also ordered that as the buildings were transferred to the P.W.D. for better management only and as commercial accounts are maintained by the Industries Dept. for the silk Filatures, there is no need for the P.W.D. to maintain capital and Revenue accounts for the buildings separately or pay the value of the buildings to the Department of Industries and Commerce by book adjustment. The attention of the A.G. may be invited to the memo and he may be informed as above.

For orders.

Sundry Debtors.

With a view to popularise the fabrics produced by the handloom weaving section, credit sales to the extent of 1060-3-6 were made prior to 1-4-49.

p.t.o.

The amount has since been realised and the Govt. have in para 15 of G.O.No.Ms.690 Devt. dt. 25-2-52 ratified the action of the Sericultural Expert. Credit sales have since been stopped. The attention of the A.G. may be invited to the orders of the Govt. For orders.

Remarks of the A.G.

Section II.

Report on the accounts for 1950-51—I. *Reconcilition of the figures booked in the department with those of the Treasury.*—(*a*) The reconciliation of departmental figures with those booked in the Treasury has not been effected during 1950-51. In his letter No. 2306-A-1/50, dated 21st April 1951, the Sericultural Expert promised to have the reconciliation effected by the second week of May 1951 but no action has been taken so far in this regard. As reconciliation of departmental figures with those of the Treasury is essential to ensure that the amounts are properly booked in the Treasury, steps should be taken at once to have the reconciliation effected and to forward the certificates of reconciliation from April 1950 onwards to the Accountant-General, Madras.

(*b*) Reference is invited to letter No. T. 10. B, Commercial 648, dated 17th February 1951, addressed to the Director of Industries and Commerce wherein detailed instructions regarding reconciliation were issued for the guidance of the departmental officer. It is, however, noticed that they have not been complied with as noted below :—

(i) A Consolidated Treasury Receipt has not been prepared for remittances into the Treasury and sent to the District Treasury for verification and return (Rule 18 under T.R. 10).

(ii) In respect of withdrawals from the Treasury, pass books should have been maintained and sent to the Treasury at the end of each month to effect reconciliation of the amounts booked under "II Cheques." A certificate for the total payment made by the Treasury during each month should have been obtained as in the case of Public Works offices from the Treasury Officer.

(*c*) Remittances made into the various treasuries on behalf of the concern by private parties are still accounted for under "I Remittances" notwithstanding the fact that instructions were issued in paragraph 4 of the Accountant-General's letter cited above to see that they are booked under "III Other Remittances." The correct procedure may please be strictly followed in future.

(*d*) Reconciliation of departmental figures in respect of transactions with those of other treasuries may also be effected and the fact reported to the Accountant-General, Madras.

Remarks of the D.I.& C.

SECTION II - I(a) :- Reconciliation:- The Cashier Accountant of the Filature was sent to Coimbatore during the third week of December 1951 and the Department figures in respect of 'I Remittances' and 'II cheques' have since been reconciled with those booked at the Huzur Treasury, Coimbatore ~~with those booked at the Huzur Treasury, Coimbatore~~ for the year 1950-51 and upto November 1951- in 1951-52.

The statements of reconciliation have been forwarded to the Accountant General by the ~~Exerat~~ Sericultural Expert.

(b), (c) & (d) - The Sericultural Expert has reported that the correct procedure is being followed with effect from December 1951 accounts as reconciliation has already been carried out upto November, 1951 and that reconciliation with other Treasuries also will be carried out with effect from December, 1951.

Attn ncs Dev (C) Sept

Reconciliation of the figures booked in department with those of the Treasury.

The D.I.& C. has reported that reconciliation has since been effected for the period 1950-51 and up to November, 1951 in 1951-52. He has also stated

p.t.o.

that the correct procedure as instructed by the A.G. is being adopted for the accounts from December, 1951 onwards.

The D.I.& C. may perhaps be told that in future there should be no delay in the reconciliation of the departmental figures with those booked at the Treasury and that the instructions of the A.G. regarding reconciliation of figures should be strictly followed. Finance may see for remarks.

Fin (Accts)

Finance may agree to the suggestion of Secy. cor. D. also.

p.50

Secy Rly Bd

Hospitality below

Remarks of the A.G. 4

II. *Withdrawal of amounts from the Treasury.*—The funds required for day-to-day expenditure of the Government Silk Filatures are drawn by means of cheques on the local Treasury. The cheques are drawn for lump amounts whenever required and all expenditure in connexion with the disbursement of pay and allowances of officers and establishment, wages to labourers, etc., is met therefrom. The Market Officers are also given advances therefrom, for the purchase of cocoons. To ensure that amounts are not drawn in anticipation of requirements prior to the preparation of bills it is necessary to introduce the system (obtaining in other commercial concerns) of drawing funds by cheques from the Treasury for the exact amounts of bills for pay, travelling allowance, wages of labourers, etc., and by separate cheques for meeting the requirements of Market Officers for the purchase of cocoons.

p 5 cf

A

Remarks of the D.I.& C.

p 49 cf

II. Withdrawal of amounts from Treasury:- The Sericultural Expert, Government Silk Filature, Kollegal has been instructed to draw separate cheques for pay allowances, T.A. and wages of workmen etc., in future for the exact amount of the bills as suggested by the Accountant General.

Office Note Dev (C.) Dept

Instructions may be issued to the D.I.& C. as at 'A' above. Remarks of Finance may be invited.

No remarks

hp
20/6/52

Remarks of the A.G. 11.

III. *Accumulation of balances in the cash chest.*—It is noticed that large amounts are drawn by self-cheques far in excess of immediate requirements, with the result that heavy balances were lying in the cash chest. The heavy withdrawals from the treasury in November 1950 and December 1950 and the actual cash balances during those months are given in the Annexure I. This is contrary to the instructions in Article 94 of Madras Financial Code, Volume I. It was explained that for purchasing cocoons at frequent intervals by the Marketing Officers money is always kept in the cash chest to the tune of nearly Rs 50,000. It is disirable that the maximum amount that can be kept in the cash chest at any time is fixed under orders of Government. This was also pointed out in paragraph VI of the previous year's Inspection Report

Remarks of the D.I.& C.

***

III Accumulation of cash in the cash chest:- The necessity for keeping large amounts of money in the cash chest was already explained to Government in para VI of section A of this office letter No.6362 DI/50, dated 20-9-1951 and the orders of Government are awaited.

Office Note Dev (Co) Dept

In para 6 of G.O.No.Ms.69 Devt. dt: 25-2-52 the Govt. have fixed Rs. 20,000 as the limit up to which the Sericultural Expert, Kollegal may draw cash or keep cash in the cash chest. The A.G. ~~is~~ may be informed ~~attention may be invited to this. For orders.~~

Remarks of the A.G. 13

IV. *Periodical physical verification of stock.*—It is seen that physical verification of stock was not conducted in the Filatures before 31st March 1951 (Article 143 of the Madras Financial Code, Volume I). The verification of stores was begun in June 1951 and in respect of the following items, it is still in progress :—

Cocoons, dyestuffs, medical stores, Japanese reeling machinery spare parts, handloom accessories, pipes and fittings, fuel, petrol.

The result of the verification and action taken thereon may be intimated to audit

Steps may kindly be taken to ensure that physical verification of stock is conducted before 1st April of each year.

Remarks of the D.I.& C.

IV. Verification of Stock:- The reports received from the stock verifying officer are being examined in consultation with the Sericultural Expert and a final report on the results of the stock verification will be sent to the Accountant General shortly.

~~Office note~~

Further remarks of the D.I.& C.

The final report on the results of the annual stock verification for the year 1950-51 is under preparation and will be submitted to Government separately.

Dev (C) Dept

OFFICE NOTE.

The report of the D.I.& C. on the result of the annual Stock verification for 1950-51 may be awaited.

The D.I.& C. may also be asked to expedite the annual stock verification for 1951-52 and to see that in future the physical verification of stock is conducted before 1st April each year.

~~For orders. Remarks of Fin. may be invited.~~

Remarks of the A.G.

V. *Security deposits.*—(i) It is seen that large sums of money ranging up to Rs. 10,000 even at times are advanced to the Grainage Assistants entrusted with the purchase of cocoons. A cash security of Rs. 200 only is taken from them for the moneys of Sericultural section handled by them. Additional security for the cash of the Filatures entrusted to them for the purchase of cocoons has not been taken.

Action to put up proposals in this regard has been promised by the Sericultural Expert. This may be expedited.

(ii) Security deposit has not been recovered from the temporary store clerk Mr. Sankaran as enjoined in Article 276 of Madras Financial Code, Volume I. Steps may be taken to collect the security forthwith, under intimation to audit.

(iii) It is seen that fidelity bond executed by Mr. Saiduddin Ahmed, Silk Store-keeper, expired on 22nd August 1950. Early action may be taken to have it renewed as prescribed in Article 282 of Madras Financial Code, Volume I.

(iv) No security has been recovered from the clerk in charge of cocoon stores. It is explained that the Manager (Technical) holds charge of the stores. As however, Mr. Dasaratharaman is actually placed in immediate charge of the stores, it is necessary that security deposit is recovered from him as per the Code Rule cited above. This may now be done.

p 7 CF

Remarks of the D.I.& C.

V. Security Deposits.:- The security of Rs.100/- taken from the Grainage Assistants is for some of the articles such as "Microscope" etc., entrusted to them for safe custody. The purchase and disbursement of cocoons were hitherto made by the Market Officers themselves; but now that the Sericultural Expert is the head of both the Sericultural and Filature sections, the disbursement work is entrusted to the Grainage Assistants for securing administrative efficiency. The Grainage Assitants are doing this work in addition to their work relating to the Sericultural Section. It is considered that if the present system should continue permanently, additional security for the cash of the Filature Section entrusted to them may have to be taken. This aspect will be examined and further report will be submitted.

pp 49-51 CF

(ii) The Store Clerk Sri R. Sankaran is not in service now. The security will be obtained from the clerk who is now in charge of stores.

(iii) The Sericultural Expert has been asked to take immediate action to have the fidelity bond renewed if not already done.

X

Iv) The Sericultural Expert is being instructed to collect from the Store Keeper the security deposit as suggested by the Accountant General.

~~Office of the A.G.~~

Further remarks of the D.I.& C.

Security from grainage Asst:-

p 55 CF

The Sericultural Expert has issued instructions to the Sericultural Section in the matter. I shall submit a further report on hearing from the Sericultural Expert.

p.t.o.

16

Security from the Cocoon Store Keeper:

The present Cocoon Store-keeper has been asked by Sericultural Expert to furnish security and I shall submit a further report on hearing from the Sericultural Expert.

Security OFFICE NOTE Dev (G) Dept

Security Deposits from Grainage Assets.

The D.I.& C's further report may be awaited.

For orders.

(ii) (iii) and (iv) above:

In view of the D.I.& C's remarks no further action seems called for. The D.I.&'s further report may be awaited in regard item (iv) above. Finance may see for remarks.

Fin (Accts)

As large sums of money are handled by some members of the Stop in the Govt. Silk Filatures & Reeling, it seems advisable and necessary that surprise visits are paid to the D.I.C. & intermediate centres in the Taluks by responsible officers of the Audit Dept.

Remarks of the A.G.

VI. *Balance of stores on hand.*—A sum of Rs. 22,689-6-0 has been shown in the Balance Sheet as the value of stores (other than cocoons) on hand on 31st March 1951. This sum is worked out by adding the receipts and deducting the issues to the last year's closing balance. The stores registers have been maintained with values but the balances as per the stores registers have not been extracted at any time and the total reconciled with the figures in the Balance Sheet. An abstract may be prepared in future showing the opening balance, receipts, issues and closing balance in the stores registers. The closing balance as on 31st March 1951 may be worked out from the stores registers and the same reconciled with the figures shown in the Balance Sheet.

The omission recurred though the same was pointed out in paragraph 11 of Audit Note of the previous year and action was promised to be taken in this regard.

Remarks of the D.I.& C.

VI - BALANCE OF STORES ON HAND:- The Sericultural Expert has promised to reconcile the stock of stores as on 31-3-1951 and on receipt of his report, a report will be submitted to Govt.

~~Office note~~

Further remarks of the D.I.& C.

The value of the stores as per stock book and that as per the ledger have been reconciled and I am addressing the Accountant General, Madras to adjust the difference.

OFFICE NOTE Dev (Cs) Dept

The D.I.& C. may be asked to submit a report to the Govt. after adjustment of the difference.

Instructions may also be issued to the D.I.& C as at 'M' above. Remarks of Finance may be invited.

D.I.& C. may be asked to report why the omissions recurred even though it was pointed out at the previous audit.

Dy (Accts)

Awaiting reply as suggested at 'A' above.

Section III.

I. *Pro forma accounts.*—The accounts of the Filatures for the year ended 31st March 1951 have been audited and the following accounts and statements are appended:—

(i) Balance Sheet as on 31st March 1951.

(ii) Manufacturing Account of silk for the year ended 31st March 1951.

(iii) Trading Account of silk for the year ended 31st March 1951.

(iv) Combined Manufacturing and Trading Account of the Weaving section for the year ended 31st March 1951.

(v) Combined Profit and Loss Account (Silk and Fabrics) for the year ended 31st March 1951.

(vi) Statement showing the monthly consumption of cocoons, wages paid and yield of silk (Statement I).

(vii) Interest calculation sheet (Statement II).

(viii) Statement of land, buildings, plant and machinery, etc. (Statement III).

II. *Manufacturing Account*—(1) *Cost of production.*—The total cost of production of silk during the year 1950–51 worked out to Rs. 42–14–5 per lb. as against Rs. 52–2–0 per lb. during 1949–50—vide details given below:—

Production	1950–51. 22,726 lb.		1949–50. 9,690 lb.	
	Total charges. (1) Rs.	Cost per lb. (2) Rs. A. P.	Total charges. (3) Rs.	Cost per lb. (4) Rs. A. P.
1 Raw material	7,90,617	34 12 8	3,50,903	36 3 5
2 Direct wages	1,02,934	4 8 6	44,580	4 9 7
Prime cost	8,93,551	39 5 2	3,95,483	40 13 0
3 Factory overheads ..	76,748	3 6 0	82,551	8 8 4
	9,70,299	42 11 2	4,78,034	49 5 4
Less sale of dead pupae, duppion and silk waste.	50,768	2 3 9	35,253	3 10 3
Cost of production ..	9,19,531	40 7 5	4,42,781	45 11 1
General overheads ..	55,220	2 7 0	62,326	6 6 11
Total cost ..	9,74,751	42 14 5	5,05,107	52 2 0*

*The figure arrived at during last year is Rs. 50–12–7 as the miscellaneous recoveries credited in the profit and loss were also taken into account. These recoveries have been excluded in the current report for the purpose of working out production cost.

The decrease in the cost of production is mainly due to increase in production and decrease in factory and general overheads during the year. During the year 1950–51, the factory was not open to production for a period of 3 months and 23 days as against 6 months and 15 days in the preceding year. A general reduction of establishment of 33-1/3 per cent was given effect to from 1st August 1950 but this cut was partially restored when production increased.

(2) *Raw material—Cocoons.*—(*a*) The purchase cost of cocoons, the only raw material of the business, during the two years (1949–50 and 1950–51) is compared in the statement given below:—

	1950–51.	1949–50.
	LB.	LB.
Total quantity purchased	4,07,922 6	2,17,200 12
	RS. A. P.	RS. A. P.
Total cost	7,52,040 7 10	3,23,246 2 1
Cost per lb.	1 13 6	1 7 10

The average cost of cocoons worked out to Rs. 1–13–6 per lb. during 1950–51 as against Rs. 1–7–10 in the preceding year. This exceeded the price of Re. 1–4–0 per lb. fixed by the Tariff Board, as a fair price. The increase in cost of cocoons was more than counter-balanced by the better quality of cocoons purchased during the year as shown in sub-paragraph (*b*) below.

P.T.O.

(v) The quantities of cocoons consumed, good silk obtained and the renditta (i. e., the weight of cocoons per pound of silk) during the years 1950-51 and 1949-50 are given below.—

Year.	Cocoons consumed. LB.	Silk obtained. LB.	Renditta. Lb.
(1)	(2)	(3)	(4)
1950-51	4,07,922	22,726	17·95
1949-50	2,04,066	9,690	21·1

The lower renditta during the year under report as compared with that for 1949-50 is due to the comparatively superior quality of cocoons purchased during the year. The percentage of double cocoons (inferior variety) to the total quantity purchased during the year worked out to 3·5 against 6·05 in the preceding year.

(3) *Valuation of by-products allocation of overheads.*—The total quantity of duppion and silk waste which are by-products have been valued at the average selling rates with reference to the orders contained in paragraph 3 of G.O. Ms. No. 5334, Development, dated 29th December 1950. The pay and allowances of officers and staff have been allocated between factory overheads and general overheads in the ratio of 2 : 1. The pay and allowances of Market Officers stationed at Kollegal, Hanur, Kamakarai, Chilukuvadi and Seed Cocoon Purchasing Assistant at Talavadi are now met by the Sericultural section. A portion of their pay and allowances is correctly chargeable to the accounts of the Filatures (in proportion to the services rendered by them to the Filatures). Action may be taken to give effect to the correct procedure in future.

Remarks of the D.I.& C.

SECTION III.

I - Proforma Accounts.
II - (1) Cost of production.
(2) Raw materials. — No remarks.

(3) Valuation of bye products:

Kind attention of Government is invited to this office letter No. 6362 D1/50 dated 20-9-1951 wherein I have explained that it will not be appropriate to debit any portion of the pay of the market organization to the accounts of the Government Silk Filature. Government orders are awaited.

Office note. Dev(C) Dept.

Cost of production and Raw materials.

No remarks.

Valuation of by-products: The D.I.& C's view that since Govt. Silk Filatures, Kollegal, is merely a buyer of cocoons, it will not be appropriate to debit any portion of the pay of the market organisation to its accounts has been accepted by the Govt. vide para 8 of G.O.No.Ms.690 Devt. dt. 25-2-5[illegible]. The A.G's attention may be invited to this.

For orders.

Remarks of the A.G. 21

III. Trading account.—(*a*) The Trading account for the year under review shows a gross profit of Rs. 81,940 as against Rs. 1,40,435 during 1949–50. The decrease is due to the fact that, while the heavy closing stock of 1948–49 was disposed of during 1949–50 at favourable rates, the margin of profit for the sales in respect of yarn produced during 1950–51 was comparatively less. The sales of silk during the year 1950–51 amounted to Rs. 9,69,555 as against Rs. 10,23,498 during the year 1949-50.

(*b*) *Closing stock.*—*Rs.* 1,55,233-13-9.—The items of closing stock have been valued at the cost of production as it is lower than the selling rates prevailing at the close of the year.

(*c*) *Value of silk to be written off—Rs.* 6,218-6-6.—The amount represents the value of stock found deficient during stock verification in 1947–48. Out of Rs. 6,616-9-9 representing the value of stock found deficient, a sum of Rs. 398-3-3 was written off during 1950–51.

p/11-13 cf

6,616-9-9
398-3-3
6,218-6-6

b 51 cf
p3cPg (M)

Remarks of the D.I.& C.

III (a) (b) - No remarks.

(c) - The balance of Rs. 6,218-6-6 has also been written off by Government vide G.O.No. 1992 Development dated 1-5-1951.

Office note Dev (G) Dept

Trading account and closing Stock:

No remarks.

Value of Silk to be written off:

Since the write off has been sanctioned by the Govt. no further action is called for. The A.G's attention may be invited to the orders issued in G.O.No.1992 Devt. dt . 1-5-51.

b 3 cf 3 (M)

20/6/52

Remarks of the D.I. & C.

23

IV. Combined manufacturing and trading account of weaving section.—(a) The Weaving section continues to work on an experimental basis as a temporary measure and the question of retaining this permanently and to introduce the working of the same on power-looms is stated to be still under the consideration of Government. The working of the section has resulted in a profit of Rs. 1,741 during 1950–51 as against Rs. 1,969 during the preceding year. The decrease is due to lower selling rates of silk consequent on the adoption of reduced rates of Rs. 6 and Rs. 2-4-0 per lb. for ~~silk~~ and tram, respectively, with reference to G.O. Ms. No. 5334, Development, dated 29th December 1950, as against Rs. 9 and Rs. 7-4-0 adopted during the preceding year.

(*b*) Silk issued to the Weaving department has been priced at the prevailing selling rates at the time of issue and not on the actual cost of production. The rates at which issues of silk from stock to the Weaving section are to be made will have to be fixed with reference to the actual cost of production of silk as already suggested in paragraph IV of the report for 1948–49.

The selling prices of fabrics from the Weaving section are so fixed as to allow a flat margin of 8 annas per yard to cover incidental expenses and a small margin of profit. With reference to paragraph IV (*b*) (iv) of the report for 1949–50, it was suggested to Government by the Director of Industries and Commerce in his letter No. 6352/D1/50, dated 20th March 1951 that an addition of 6¼ per cent might be made to the cost of fabrics to cover incidental charges and profit. Orders of Government are awaited in this regard.

(*c*) *Overheads.*—Pay and allowances of foreman (approximately Rs. 800 per annum) who is solely engaged in the Weaving section are now charged to the Silk section, but the above sum is correctly chargeable to the Manufacturing and Trading account of Weaving section. This was already suggested in paragraph IV (*c*) of the previous report and is promised to be followed from 1951–52 [vide the Director's letter to Government cited in sub paragraph (*b*) above].

Remarks of the D.I. & C.

***

IV (a) - No remarks.

(b) - Government have issued orders directing that the silk issued to the Weaving Section should be valued with reference to the cost of production vide Development Memo No. 90271 M.I/51-4 dated 30-11-1951. The Sericultural Expert was thereupon asked to report whether it would be possible to give effect to the orders of Government from the beginning of this year (1951-52). He has submitted his remarks and they are under examination. A further report will follow:--

(c) Over heads: I invite a kind reference to this office letter No.6362 D1/50 dated 20-3-51 wherein I have submitted that the question of debiting the pay and allowances of the foreman in charge of the hand loom to the trading and manufacturing accounts may be considered after the weaving section is made permanent or the PowerLoom Weaving Section is started at the Government Silk Filature, and final orders of Government are awaited.

Office Note

Dev (Cs) Depn

Weaving Section:

The continuance of the handloom Weaving sec. up to the end of 1952-53 has been sanctioned in G.O.341 Devt. dt. 30-1-51. The installation of ~~power~~ 20 power looms has also been sanctioned.

p.t.o.

2148/

The D.I.& C's further report in regard to valutation of Silk issued to the weaving department may be awaited.

The Govt. have accepted the proposals of the D.I.& C. that the question of adding overhead charges may be considered after the weaving section is made permanent or after the power looms section commences working. They have also approved the proposal of the D.I.& C. that the margin of profit for sale of silk fabrics may be fixed at 6¼% of the cost of fabrics instead of a flat rate of 8 annas per yard. The A.G.'s attention may be invited to this.

As regard the debit of the pay and allowances of the foreman Rs.15 the Manufacturing and Trading account of weaving Section, the D.I.& C. had stated that the suggestion of the A.G. will be followed from 1951-52 The D.I.& C. may be asked whether he has not done so. Remarks of Finance may be invited.

A. ms 27 cl² γ(B)

Para IV (C) ms 23 above

vide Para IV (C) ms b cf γ(B) and IX ms 20 cf (B).

hp 20/6/52

25/6 27/6

Fin (Accts)

No remarks seem called for pf pending receipt of D.I.& C's. reply referred to at 'Y' above.

hm 27.6.52

Rev. 15/7/52

Secy. 15/7

hm 30.7.52

pl-o wp 28 below

Remarks of the A.G. 25

V. Combined Profit and Loss account of silk and silk fabrics—(a) *Depreciation*—*Rs.* 4,523.—The Director of Industries and Commerce addressed Government in his letter No. 1487/F-/50, dated 30th July 1951, for orders regarding the adoption of uniform rates of depreciation in all Government commercial concerns under his control. Pending final orders of Government fixing the percentage and the method of depreciation to be adopted, the same percentages as were adopted during the previous years, have been adopted during this year also by the diminishing balance method.

(b) *Books and periodicals*—*Rs.* 133-2-0.—This represents the cost of books and periodicals purchased during the period. No inventory of the books and periodicals has yet been opened. This may be expedited.

(c) *Leave and pensionary contribution*—*Rs.* 3,069.—The leave and pensionary contribution has been worked out in accordance with the orders of Government contained in paragraph 2 of G.O. Ms. No. 2013, Development, dated 2nd May 1951.

(d) *Interest on capital*.—*Rs.* 13,579-2-0.—Details of working will be found in Statement II. Interest in respect of capital invested during 1950-51 should be calculated at 4·25 per cent with reference to G.O. No. 578, Finance, dated 15th May 1951, instead of at 4 per cent. Necessary adjustments may be made in the accounts for the next year.

(e) *Rent Rs.* 5,992-14-0.—This includes a sum of Rs. 1,977-8-0 being the rent realized in 1950-51 in respect of Kollegal Silk Filature buildings taken over by Government Silk Filatures and let out to the Sericultural section.

Remarks of the D.I.& C.

V. (a) Depreciation.

Government have approved the uniform rates of depreciation in G.O.No.4391 Development dated 4-10-51 and these rates will be adopted from the year 1951-52.

(b) Books & Periodicals:- An inventry will be opened by the Sericultural Expert as suggested by the Accountant General, Madras.

(c) Leave and pensionary contribution:-

No remarks.

(d) Interest on capital:-

Sericultural Expert has been asked to note the instructions.

(e) Rent: No remarks.

Office note Dev (G) Depn

Depreciation:

The A.G's attention may be invited to G.O.No.4391 Devt. dt. 4-10-51.

Books and Periodicals:-

The D.I.& C. may be asked to open the inventery at an early date and submit a report to the Govt. For orders.

Leave and Pensionary Contribution:-

No remarks.

Interest on capital:-

No further action seems called for.

Rent.

No remarks.

PTO

Remarks of the A.G.

27

VI. Balance sheet—(a) Land, buildings, plant and machinery, etc.—Rs. 5,12,745-8-10.—(i) The amount of Rs. 13,565-10-0 shown as additions during the year represents the cost of station-wagon purchased during the year.

(ii) As the rate of depreciation for each class of asset is different, the value of each class of asset (land, buildings, etc.) and the additions thereto as also depreciation written off in respect of each should be shown separately in the Balance sheet as in the case of other commercial concerns. The depreciation written off to the end of previous year and that provided for the year should be shown separately in the Balance sheet.

******

Remarks of the D.I.& C.

****

VI - Balance Sheet.

(a) - (i) No remarks.

(ii) In giving effect to the suggestion made by the Accountant General, the Sericultural Expert states that the figures will have to be worked out from 1-9-45, the date on which the concern was purchased by the Madras Government for the Government of India and it will take a long time to work out the same. He has however promised that the suggestions will be followed and adopted in the Balance Sheet for 1951-52.

Office note

Dev (Cs) Dept

para VI - (a)(i):-

No remarks.

Para VI - a(ii):-

The argument of the D.I.& C. does not seem to ~~the~~ Re acceptable. He may be asked to give effect to the suggestion of the A.G. Remarks of P W.D. and Finance may be invited.

A 26/6/52

May agree with the D.I.&C.

27/6 25/6.

P.W.D (C)

This Deptt may agree with the proposal at 'A' above.

31/7/52 31/7/52 3.7.52

Fwi (Arch)

Awaiting Army agree to
to suggestion of Sec. of A. sup 2 Palace.

Noo
8.7.52

Sm
12.7.52

Zw
15/7/52

H(E-O)/sp
2 Nov 52

Remarks of the A.G. 29

VI (b) *Sundry debtors—Rs.* 9,735-10-1.—Out of this amount, a sum of Rs. 652-11-0 represents the cost of fabrics, etc., supplied on credit during 1950-51 for which cost has yet to be recovered. Credit sales have been effected even during the year under report, without the sanction of Government, notwithstanding the fact this was pointed out in paragraph VI (b) of the previous year's report. Early action may be taken to have the credit sales regularized and to effect recovery of the amount.

Remarks of the D.I.& C.

VI. (b):- Credit sales are not allowed at the filatures. A small stock of silk fabrics is kept in the Central Office for sale. As soon as sales are effected invoices are sent to the parties for payment. The sum of Rs. 652-11-0 will be recovered soon and remitted.

Central Note Dev.(C) Deptt

Para VI (6):-

While offering his remarks on the Audit Report for 1949-50 the D.I.& C. has stated that no credit sales were being effected. In para 15 of G.O.No.Ms.690 Devt. dt. 25-2-52 the Govt. informed the D.I.& C. that the credit sales made by the sericultural Expert were irregular and also not justifiable. It is not clear what the D.I.& C. means by saying that credit sales are not allowed and at the same time saying that as soon as sales are effected invoices are sent to the parties for payment. The procedure adopted amounts to sale on credit. The D.I.& C. may be requested to recover at once the amount of Rs.652-11-0 and submit a report to the Govt. He may also be told that in future sale of Silk fabrics should be made only against cash payment on the spot. For orders. Remarks of Finance may be invited.

30/12/57

Sui (Accs).

France may agree. Letter
suggesting that
A. says 29 alone.

DM
8752

DM
12/7/58

Tel
15715

End

Remarks of the AG 31

VI

(c) *Amount due from the Central Silk Board*—Rs. 1,222-13-4.—The amount represents expenditure during 1950-51 incurred towards transport and erection of Japanese silk reeling machinery on behalf of the Central Silk Board, New Delhi, recoverable from them. The recovery is awaited.

(d) *Demurrage charges*—Rs. 203.—A sum of Rs. 203 was incurred in March 1951 as demurrage charges on Atwood silk twisting machinery imported from abroad. The matter is under correspondence with the Traffic Manager, Southern Railways, Mysore, who was addressed for refund of the amount. The result of the correspondence may be intimated.

(e) *Profit and loss reserve account*—Rs. 5,72,963-13-10.—A profit and loss reserve account created as required in G.O. Ms. No. 799, Development, dated 23rd February 1950, as amended in G.O. Ms. No. 1627 Development, dated 21st April 1950, shows a balance of Rs. 5,72,963-13-10 after inclusion of the profit for the year under review.

Remarks of the D.I.& C.

VI (c) Amount due from the Central Silk Board:— Rs. 1,222-13-4:- The Central Silk Board has remitted a sum of Rs. 2,000/- to Government Silk Filatures and this has been credited to Government Silk Filature accounts. The sum of Rs. 1,222-13-4 due from the Central Silk Board will be adjusted from this amount.

(d) Demurrage charges:- The matter is still under correspondence with the Railway authorities The result of the correspondence will be reported in due course.

(e) No remarks.

Offg DSK Dep (G) Depot

para VI (c):-

No further remarks seem called for.

Para VI (d):-

The D.I.& C. may be asked to expedite the matter and submit a report to the Govt. at an early date.

Para VI (e):-

No remarks.

Kumari Shri H.G. 33

VII. Comparison of actuals with the budgeted figures.—A comparative statement showing the budgeted figures and the actuals under the following heads for 1950-51 is given as Annexure II :—

(i) Profit or loss.

(ii) Cost of service, purchase price of materials, other production factors, etc.

(iii) Volume of production.

(iv) Volume of sales.

The variations (under each head) are also explained therein.

VIII. Financial review—(*a*) *General.*—The Government Silk Filatures, Kollegal, was acquired by the Government of Madras from the Government of India on 1st September 1945. It was run as a State Trading scheme till 1st October 1948 since when it has been treated as a regular commercial concern. Except during the years 1947-48 and 1948-49 when the concern sustained a loss owing to the fall of price of silk due to Japanese imports the concern has been earning profit throughout. During the current year, the working of the Filatures resulted in a net profit of Rs. 45,911-12. Taking this into account, the total net profit earned by the concern to date is Rs. 5,72,964.

(*b*) *Accumulation of stock.*—During the period under audit, the entire output of silk was disposed of at favourable rates leaving only a small balance of 3,200 lb. manufactured towards the close of the year. It was, however, seen that on the date of audit the stock had accumulated to 21,300 lb. as shown below :—

Period. (1)	Opening stock. (2)		Production. (3)		Total. (4)	
	LB.	OZ.	LB.	OZ.	LB.	OZ.
April 1951	3,200	13	2,751	15½	5,952	12½
May 1951	5,730	13½	4,618	12½	10,379	9½
June 1951	10,333	10½	4,432	15	14,766	9½
July 1951	14,746	12½	4,026	6½	18,773	2½
August, up to 20th	18,715	5½	2,584	12½	21,300	2

Difference between column (4) in one month and column (2) in the succeeding month represents issues to the Weaving section.

It was explained that the market rates of silk are on the downward trend due to the sale of imported foreign silk at far cheaper rates and that to guard against losses, the stocks of the filatures are held back from sale. This would indicate the necessity to watch carefully the trend of market and issue orders for quick disposal of the goods at the most opportune moments to prevent accumulation of stock and possible deterioration in quality.

Remarks of the D.I.& C.

VII.
VIII (a) and (b) No remarks.

Office Note Dev(G) Depn

The D.I.& C. has already been asked to take urgent steps to dispose of the accumulated stock without incurring loss to the Govt. No further remarks seem called for.

Remarks of the A.G 35

VIII (c) *Disposal of surplus plant and machinery.*—It is seen that out of 384 basins purchased in 1945, 64 basins have been dismantled to make provision for the installation of a new twisting machinery. Early action has to be taken to dispose of the dismantled basins to the best advantage of Government as they are no longer required in the Filatures. In view of the fact that the possibilities of utilizing the plant and machinery of Kollegal Silk Filature which contains 150 basins appear to be far remote, the question of their disposal may be taken up early. If the plant and machinery are to be disposed of, there will be a decrease in the amounts of depreciation and interest charges on capital of about Rs. 1,05,460 resulting in the reduction of present overheads. This was already mentioned in paragraph V of the report for 1948-49 and paragraph IV of the report for 1949-50.

VII

Remarks of the D.I.& C.

VIII (c):- Disposal of Surplus machinery:-

A separate report has been promised by the Sericultural Expert and on receipt it will be submitted to Goverment.

Para VII (c):-

The report from the D.I.& C. may be awaited.

TO

Remarks of the Ag 37

VIII (d) The Atwood silk twisting machinery to the value of Rs. 3,15,500 capable of producing 50 lb. of organzine silk per day has been imported from abroad in March 1951 and its installation is awaited. This will go a long way in meeting the demand for thrown silk for the handloom silk weaving industry and improving further the financial position of the Filatures.

(e The question of systematization of imports of foreign raw silk by restricting the grant of licences is under the active consideration of the Central Silk Board. The final outcome of the proposals will be watched with interest as the decision has an important bearing on the future of the silk industry.

IX. Subject to the foregoing remarks, I certify that I have obtained all the information and explanations that I have required and that the balance sheet signed by me as relative thereto exhibits a true and correct view of the state of affairs of the Government Silk Filatures, Kollegal, as on 31st March 1951.

Remarks of the D.I.& C.

VIII (d) and (e) :- No remarks.

IX. No remarks.

Agriculture Dev (C) Dept

No remarks.

END

103665

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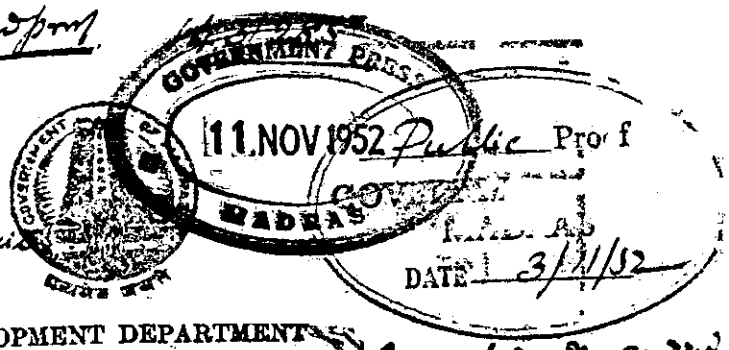

DEVELOPMENT DEPARTMENT

G.O. No. 3414, 7th August 1952

Industries—Sericulture—Government Silk Filatures, Kollegal—Audit Report, 1950-51—Recorded with remarks.

READ—the following papers:—

I

G.O. Ms. No. 5334, Development, dated 29th December 1950.
G.O. Ms. No. 690, Development, dated 25th February 1952.

II

Letter from the Accountant-General, Madras, to the Secretary to Government, Development Department, dated 7th December 1951, No. O.A. 31-24/51-52/406.

[Audit report and accounts of the Government Silk Filatures, Kollegal, for the year 1950-51.]

I forward herewith for the information and orders of Government the accounts of the Government Silk Filatures, Kollegal, for the year 1950-51 together with the audit report thereon.

2. Special attention is invited to paragraphs I, III, IV and V of Section II and paragraph VIII of Section III of the report.

3. Copies of the accounts and audit report are being forwarded to the Secretary to the Government of Madras, Finance Department, the Director of Industries and Commerce, Madras, and the Sericultural Expert, Government Silk Filatures, Kollegal, for information and necessary action.

4. Minor irregularities noticed are included in an audit note which is being sent to the Sericultural Expert, Government Silk Filatures, Kollegal, for reply and retransmission through the Director of Industries and Commerce, Madras.

No. O.A. 31-24/51-52/407/408/409 *dated* ~~9th November~~ 16 December 1951.

Copy together with a copy of the accounts and report forwarded to the Secretary to the Government of Madras, Finance Department, Fort St. George, Madras, for information.

Copy together with a copy of the accounts and report forwarded to the Director of Industries and Commerce, Madras, with the request that his remarks on the report may be forwarded to Government direct.

Copy together with a copy of the accounts and report forwarded to the Sericultural Expert, Government Silk Filatures, Kollegal. Audit Note (in duplicate) is also sent herewith for reply and retransmission through the Director of Industries and Commerce, Madras./

ENCLOSURE.

AUDIT REPORT ON THE ACCOUNTS OF THE GOVERNMENT SILK FILATURES, KOLLEGAL, FOR THE YEAR 1950-51.

[*Conducted from 17th to 30th August* 1951 (10 *working days*).]

INTRODUCTORY.

I. *Scope of audit.*—(*a*) The accounts of the Government Silk Filatures, Kollegal, for the year 1949-50 were last audited in December 1950. The present audit is confined to a test-check of the accounts for 1950-51 with a detailed scrutiny of those for March 1951.

(*b*) Sri A. T. Janakiraman, B.SC., continued to hold charge of the post of Sericultural Expert, Government Silk Filatures, Kollegal, during the year.

II. The following are some of the important irregularities noticed during the present inspection :—

(1) Non-reconciliation of departmental figures with those of the Treasury.

(2) Accumulation of balances in cash chest.

(3) Delay in the periodical physical verification of stock.

(4) Omission to recover security deposit from two store-keepers.

They are dealt with in the succeeding paragraphs.

Section I.

III. *Outstanding points of the previous Inspection Reports—(a) Report on the accounts for* 1948-49—*Paragraph IX—Cost accounts.*—Cost accounting has not yet been introduced in the concern to assess the cost of production at every stage, viz., (1) cost up to the stage the cocoons are sorted and issued for reeling, (2) cost after reeling, (3) cost of silk produced after cleaning, baling, etc., and (4) cost of silk made into organzine and tram for weaving purposes. The total cost of production per pound of silk produced is worked out at the end of each month and the same communicated to the Director of Industries and Commerce for information. The selling rate is, however, fixed with reference to the market conditions, under orders of the Director. Now that a post of Cost Accountant has been sanctioned by Government in G.O. Ms. No. 2867, Development, dated 21st June 1951, it should be possible to introduce costing in the concern, as suggested above. Action taken in this regard may be intimated.

(*b*) *Report on the accounts for* 1949-50—*Section A*—(1) *Paragraph IV —Bleaching losses.*—The maximum limit fixed by the Director of Industries and Commerce for losses due to bleaching and approved by Government in G.O. Ms. No. 5334, Development, dated 29th December 1950, had been exceeded in a number of cases and it was suggested that the reasons therefor might be investigated and revised percentages prescribed, if necessary. Orders of Government on the revised percentages proposed by Sericultural Expert in his letter No. 362-A-2/51-1, dated 7th July 1951, to the Director of Industries and Commerce are awaited.

(2) *Paragraph V—Storing of silk.*—Silk yarn is stored in a room just like other ordinary stores. The desirability of taking adequate precautions in storing the silk in a storing room was suggested for consideration. The Executive Engineer, Public Works Department, was addressed by the Sericultural Expert in letter No. D/51, dated 30th June 1951, in the matter but no reply has yet been received from him. Action in this regard should be expedited.

Section B—(3) *Paragraph VI (a) (i)—Balance sheet.*—Orders of Government regarding the question of adjustment of the full market value of the buildings transferred to the Public Works Department are awaited.

Sundry debtors.—Orders of Government approving credit sales of Rs. 1,060 3-6 effected during 1949-50 are awaited.

Section II.

Report on the accounts for 1950-51—I. *Reconciliation of the figures booked in the department with those of the Treasury.*—(*a*) The reconciliation of departmental figures with those booked in the Treasury has not been effected during 1950-51. In his letter No. 2306-A-1/50, dated 21st April 1951, the Sericultural Expert promised to have the reconciliation effected by the second week of May 1951 but no action has been taken so far in this regard. As reconciliation of departmental figures with those of the Treasury is essential to ensure that the amounts are properly booked in the Treasury, steps should be taken at once to have the reconciliation effected and to forward the certificates of reconciliation from April 1950 onwards to the Accountant-General, Madras.

(*b*) Reference is invited to letter No. T. 10. B, Commercial 648, dated 17th February 1951, addressed to the Director of Industries and Commerce wherein detailed instructions regarding reconciliation were issued for the guidance of the departmental officer. It is, however, noticed that they have not been complied with as noted below :—

(i) A Consolidated Treasury Receipt has not been prepared for remittances into the Treasury and sent to the District Treasury for verification and return (Rule 18 under T.R. 10).

(ii) In respect of withdrawals from the Treasury, pass books should have been maintained and sent to the Treasury at the end of each month to effect reconciliation of the amounts booked under "II. Cheques." A certificate for the total payment made by the Treasury during each month should have been obtained as in the case of Public Works offices from the Treasury Officer.

(*c*) Remittances made into the various treasuries on behalf of the concern by private parties are still accounted for under "I. Remittances" notwithstanding the fact that instructions were issued in paragraph 4 of the Accountant-General's letter cited above to see that they are booked under "III. Other Remittances." The correct procedure may please be strictly followed in future.

(*d*) Reconciliation of departmental figures in respect of transactions with those of other treasuries may also be effected and the fact reported to the Accountant-General, Madras.

II. *Withdrawal of amounts from the Treasury.*—The funds required for day-to-day expenditure of the Government Silk Filatures are drawn by means of cheques on the local Treasury. The cheques are drawn for lump amounts whenever required and all expenditure in connexion with the disbursement of pay and allowances of officers and establishment, wages to labourers, etc., is met therefrom. The Market Officers are also given advances therefrom, for the purchase of cocoons. To ensure that amounts are not drawn in anticipation of requirements prior to the preparation of bills it is necessary to introduce the system (obtaining in other commercial

concerns) of drawing funds by cheques from the Treasury for the exact amounts of bills for pay, travelling allowance, wages of labourers, etc., and by separate cheques for meeting the requirements of Market Officers for the purchase of cocoons.

III. *Accumulation of balances in the cash chest.*—It is noticed that large amounts are drawn by self-cheques far in excess of immediate requirements, with the result that heavy balances were lying in the cash chest. The heavy withdrawals from the treasury in November 1950 and December 1950 and the actual cash balances during those months are given in the Annexure I. This is contrary to the instructions in Article 94 of Madras Financial Code, Volume I. It was explained that for purchasing cocoons at frequent intervals by the Marketing Officers money is always kept in the cash chest to the tune of nearly Rs. 50,000. It is desirable that the maximum amount that can be kept in the cash chest at any time is fixed under orders of Government. This was also pointed out in paragraph VI of the previous year's Inspection Report.

IV. *Periodical physical verification of stock.*—It is seen that physical verification of stock was not conducted in the Filatures before 31st March 1951 (Article 143 of the Madras Financial Code, Volume I). The verification of stores was begun in June 1951 and in respect of the following items, it is still in progress :—

Cocoons, dyestuffs, medical stores, Japanese reeling machinery spare parts, handloom accessories, pipes and fittings, fuel, petrol.

The result of the verification and action taken thereon may be intimated to audit.

Steps may kindly be taken to ensure that physical verification of stock is conducted before 1st April of each year.

V. *Security deposits.*—(i) It is seen that large sums of money ranging up to Rs. 10,000 even at times are advanced to the Grainage Assistants entrusted with the purchase of cocoons. A cash security of Rs. 200 only is taken from them for the moneys of Sericultural section handled by them. Additional security for the cash of the Filatures entrusted to them for the purchase of cocoons has not been taken.

Action to put up proposals in this regard has been promised by the Sericultural Expert. This may be expedited.

(ii) Security deposit has not been recovered from the temporary store clerk Mr. Sankaran as enjoined in Article 276 of Madras Financial Code, Volume I. Steps may be taken to collect the security forthwith, under intimation to audit.

(iii) It is seen that fidelity bond executed by Mr. Saiduddin Ahmed, Silk Store-keeper, expired on 22nd August 1950. Early action may be taken to have it renewed as prescribed in Article 282 of Madras Financial Code, Volume I.

(iv) No security has been recovered from the clerk in charge of cocoon stores. It is explained that the Manager (Technical) holds charge of the stores. As however, Mr. Dasaratharaman is actually placed in immediate charge of the stores, it is necessary that security deposit is recovered from him as per the Code Rule cited above. This may now be done.

VI. *Balance of stores on hand.*—A sum of Rs. 12,689 6-0 has been shown in the Balance Sheet as the value of stores (other than cocoons) on hand on 31st March 1951. This sum is worked out by adding the purchases and deducting the issues to the last year's closing balance. The stores registers have been maintained with values but the balances as per the stores registers have not been extracted at any time and the total reconciled with the figures in the Balance Sheet. An abstract may be prepared in future showing the opening balance, receipts, issues and closing balance in the stores registers. The closing balance as on 31st March 1951 may be worked out from the stores registers and the same reconciled with the figures shown in the Balance Sheet.

* The omission recurred though the same was pointed out in paragraph 11 of Audit Note of the previous year and action was promised to be taken in this regard.

Section III.

I. *Pro forma accounts.*—The accounts of the Filatures for the year ended 31st March 1951 have been audited and the following accounts and statements are appended:—

(i) Balance Sheet as on 31st March 1951.

(ii) Manufacturing Account of silk for the year ended 31st March 1951.

(iii) Trading Account of silk for the year ended 31st March 1951.

(iv) Combined Manufacturing and Trading Account of the Weaving section for the year ended 31st March 1951.

(v) Combined Profit and Loss Account (Silk and Fabrics) for the year ended 31st March 1951.

(vi) Statement showing the monthly consumption of cocoons, wages paid and yield of silk (Statement I).

(vii) Interest calculation sheet (Statement II).

(viii) Statement of land, buildings, plant and machinery, etc. (Statement III).

II. *Manufacturing Account*—(1) *Cost of production.*—The total cost of production of silk during the year 1950–51 worked out to Rs. 42-14-5 per lb. as against Rs. 52-2-0 per lb. during 1949–50—vide details given below:—

	1950–51. 22,726 lb.		1949–50. 9,690 lb.	
Production	Total charges. (1) Rs.	Cost per lb. (2) Rs. A. P.	Total charges. (3) Rs.	Cost per lb. (4) Rs. A. P.
1 Raw material	7,90,617	34 12 8	3,50,903	36 3 5
2 Direct wages	1,02,934	4 8 6	44,580	4 9 7
Prime cost ..	8,93,551	39 5 2	3,95,483	40 13 0
3 Factory overheads ..	76,748	3 6 0	82,551	8 8 4
	9,70,299	42 11 2	4,78,034	49 5 4
Less sale of dead pupas, duppion and silk waste.	50,768	2 3 0	35,253	3 10 3
Cost of production ..	9,19,531	40 7 5	4,42,781	45 11 1
4 General overheads ..	55,220	2 7 0	62,326	6 6 11
Total cost ..	9,74,751	42 14 5	5,05,107	52 2 0

* The figure arrived at during last year is Rs. 50–12–7 as the miscellaneous recoveries credited in the profit and loss were also taken into account. These recoveries have been excluded in the current report for the purpose of working out production cost.

The decrease in the cost of production is mainly due to increase in production and decrease in factory and general overheads during the year. During the year 1950-51, the factory was not open to production for a period of 3 months and 23 days as against 6 months and 15 days in the preceding year. A general reduction of establishmen of 33-1/3 per cent was given effect to from 1st A gus 1950 but this cut was partially restored when production increased.

(2) *Raw materials—Cocoons.*—(*a*) The purchase cost of cocoons, the only raw material of the business, during the two years (1949-50 and 1950-51) is compared in the statement given below :—

	1950-51.	1949-50.
	LB. OZ.	LB. OZ.
Total quantity purchased	407,922 6.	217,200 12
	RS. A. P.	RS. A. P.
Total cost	7,52,040 7 10	3,23,246 2 1
Cost per lb.	1 13 6	1 7 10

The average cost of cocoons worked out to Rs. 1-13-6 per lb. during 1950-51 as against Rs. 1-7-10 in the preceding year. This exceeded the price of Re. 1-4-0 per lb. fixed by the Tariff Board, as a fair price. The increase in cost of cocoons was more than counter-balanced by the better quality of cocoons purchased during the year as shown in sub-paragraph (*b*) below.

(*b*) The quantities of cocoons consumed, good silk obtained and the renditta (i.e., the weight of cocoons per pound of silk) during the years 1950-51 and 1949-50 are given below :—

Year.	Cocoons consumed.	Silk obtained.	Renditta.
(1)	(2)	(3)	(4)
	LB	LB.	
1950-51	407,922	22,726	17·95
1949-50	204,666	9,699	21·1

The lower renditta during the year under report as compared with that for 1949-50 is due to the comparatively superior quality of cocoons purchased during the year. The percentage of double cocoons (inferior variety) to the total quantity purchased during the year worked out to 3·5 against 6·05 in the preceding year.

(3) *Valuation of by-products and allocation of overheads.*—The total quantity of duppion and silk waste which are by-products have been valued at the average selling rates with reference to the orders contained in paragraph 3 of G O. Ms. No. 5334, Development, dated 29th December 1950. The pay and allowances of officers and staff have been allocated between factory overheads and general overheads in the ratio of 2 : 1. The pay and allowances of Market Officers stationed at Kollegal, Hanur, Kamakarai, Chilukuvadi and Seed Cocoon Purchasing Assistant at Talavadi are now met by the Sericultural section. A portion of their pay and allowances is correctly chargeable to the accounts of the Filatures (in proportion to the services rendered by them to the Filatures). Action may be taken to give effect to the correct procedure in future.

III. *Trading account.*—(*a*) The Trading account for the year under review shows a gross profit of Rs. 81,940 as against Rs. 1,40,435 during 1949-50. The decrease is due to the fact that, while the heavy closing stock

of 1948–49 was disposed of during 1949–50 at favourable rates, the margin of profit for the sales in respect of yarn produced during 1950–51 was comparatively less. The sales of silk during the year 1950–51 amounted to Rs. 9,69,555 as against Rs 10,23,498 during the year 1949-50.

(*b*) *Closing stock—Rs.* 1,55,233-13-9.—The items of closing stock have been valued at the cost of production as it is lower than the selling rates prevailing at the close of the year.

(*c*) *Value of silk to be written off—Rs.* 6,218-6-6.—The amount represents the value of stock found deficient during stock verification in 1947–48. Out of Rs. 6,616-9-9 representing the value of stock found deficient, a sum of Rs. 398–3–3 was written off during 1950–51.

IV. *Combined manufacturing and trading account of weaving section.*—(*a*) The Weaving section continues to work on an experimental basis as a temporary measure and the question of retaining this permanently and to introduce the working of the same on power-looms is stated to be still under the consideration of Government. The working of the section has resulted in a profit of Rs. 1,741 during 1950–51 as against Rs. 1,969 during the preceding year. The decrease is due to lower selling rates of silk consequent on the adoption of reduced rates of Rs. 6 and Rs. 2–4–0 per lb. for organzine and tram, respectively, with reference to G.O. Ms. No. 5334, Development, dated 29th December 1950, as against Rs. 9 and Rs. 7–4–0 adopted during the preceding year.

(*b*) Silk issued to the Weaving department has been priced at the prevailing selling rates at the time of issue and not on the actual cost of production. The rates at which issues of silk from stock to the Weaving section are to be made will have to be fixed with reference to the actual cost of production of silk as already suggested in paragraph IV of the report for 1948–49.

The selling prices of fabrics from the Weaving section are so fixed as to allow a flat margin of 8 annas per yard to cover incidental expenses and a small margin of profit. With reference to paragraph IV (*b*) (iv) of the report for 1949–50, it was suggested to Government by the Director of Industries and Commerce in his letter No. 6352/D-1/50, dated 20th March 1951, that an addition of 6¼ per cent might be made to the cost of fabrics to cover incidental charges and profit. Orders of Government are awaited in this regard.

(*c*) *Overheads.*—Pay and allowances of foreman (approximately Rs. 800 per annum) who is solely engaged in the Weaving section are now charged to the Silk section, but the above sum is correctly chargeable to the Manufacturing and Trading account of Weaving section. This was already suggested in paragraph IV (*c*) of the previous report and is promised to be followed from 1951–52 [vide the Director's letter to Government cited in sub-paragraph (*b*) above].

V. *Combined Profit and Loss account of silk and silk fabrics—(a) Depreciation—Rs.* 4,523.—The Director of Industries and Commerce addressed Government in his letter No. 1487/F-4/50, dated 30th July 1951, for orders regarding the adoption of uniform rates of depreciation in all Government commercial concerns under his control. Pending final orders of Government fixing the percentage and the method of depreciation to be adopted, the same percentages as were adopted during the previous years have been adopted during this year also by the diminishing balance method.

(*b*) *Books and periodicals—Rs.* 133-2-0.—This represents the cost of books and periodicals purchased during the period. No inventory of the books and periodicals has yet been opened. This may be expedited.

(*c*) *Leave and pensionary contribution—Rs.* 3,069.—The leave and pensionary contribution has been worked out in accordance with the orders of Government contained in paragraph 2 of G.O. Ms. No. 2013, Development, dated 2nd May 1951.

(*d*) *Interest on capital—Rs.* 13,579-9-0.—Details of working will be found in Statement II. Interest in respect of capital invested during 1950-51 should be calculated at 4·25 per cent with reference to G.O. No. 578, Finance, dated 15th May 1951, instead of at 4 per cent. Necessary adjustments may be made in the accounts for the next year.

(*e*) *Rent—Rs.* 5,992-14-0.—This includes a sum of Rs. 1,977-8-0 being the rent realized in 1950-51 in respect of Kollegal Silk Filature buildings taken over by Government Silk Filatures and let out to the Sericultural section.

VI. *Balance sheet—(a) Land, buildings, plant and machinery, etc.—Rs.* 5,12,745-8-10.—(i) The amount of Rs. 13,565-10-0 shown as additions during the year represents the cost of station-wagon purchased during the year.

(ii) As the rate of depreciation for each class of asset is different, the value of each class of asset (land, buildings, etc.) and the additions thereto as also depreciation written off in respect of each should be shown separately in the Balance sheet as in the case of other commercial concerns. The depreciation written off to the end of previous year and that provided for the year should be shown separately in the Balance sheet.

(*b*) *Sundry debtors—Rs.* 9,735-10-1.—Out of this amount, a sum of Rs. 652-11-0 represents the cost of fabrics, etc., supplied on credit during 1950-51 for which cost has yet to be recovered. Credit sales have been effected even during the year under report, without the sanction of Government, notwithstanding the fact that this was pointed out in paragraph VI (*b*) of the previous year's report. Early action may be taken to have the credit sales regularized and to effect recovery of the amount.

(*c*) *Amount due from the Central Silk Board—Rs.* 1,222-13-4.—The amount represents expenditure during 1950-51 incurred towards transport and erection of Japanese silk reeling machinery on behalf of the Central Silk Board, New Delhi, recoverable from them. The recovery is awaited

(*d*) *Demurrage charges—Rs.* 203.—A sum of Rs. 203 was incurred in March 1951 as demurrage charges on Atwood silk twisting machinery imported from abroad. The matter is under correspondence with the Traffic Manager, Southern Railways, Mysore, who was addressed for refund of the amount. The result of the correspondence may be intimated.

(*e*) *Profit and loss reserve account—Rs.* 5,72,963-13-10.—A profit and loss reserve account created as required in G.O. Ms. No. 799, Development, dated 23rd February 1950, as amended in G.O. Ms. No. 1627, Development, dated 21st April 1950, shows a balance of Rs. 5,72,963-13-10 after inclusion of the profit for the year under review.

VII. *Comparison of actuals with the budgeted figures.*—A comparative statement showing the budgeted figures and the actuals under the following heads for 1950-51 is given as Annexure II;—

(i) Profit or loss.

(ii) Cost of service, purchase price of materials, other production factors, etc.

(iii) Volume of production.

(iv) Volume of sales.

The variations (under each head) are also explained therein.

VIII. *Financial review*—(*a*) *General.*—The Government Silk Filatures, Kollegal, was acquired by the Government of Madras from the Government of India on 1st September 1945. It was run as a State Trading scheme till 1st October 1948 since when it has been treated as a regular commercial concern. Except during the years 1947–48 and 1948–49 when the concern sustained a loss owing to the fall of price of silk due to Japanese imports the concern has been earning profit throughout. During the current year, the working of the Filatures resulted in a net profit of Rs. 46,911. Taking this into account, the total net profit earned by the concern to date is Rs. 5,72,964.

(*b*) *Accumulation of stock.*—During the period under audit, the entire output of silk was disposed of at favourable rates leaving only a small balance 3,200 lb. manufactured towards the close of the year. It was, however, seen that on the date of audit the stock had accumulated to 21,300 lb. as shown below :—

Period. (1)	Opening stock. (2)		Production (3)		Total. (4)	
	LB.	OZ.	LB.	OZ.	LB.	OZ.
April 1951 ...	3,200	13	2,751	15½	5,952	13½
May 1951	5,730	13½	4,648	12½	10,379	9½
June 1951	10,333	10½	4,432	15	14,766	9½
July 1951	14,746	12½	4,026	6½	18,773	2½
August, up to 20th	18,715	5½	2,584	12½	21,300	2

Difference between column (4) in one month and column (2) in the succeeding months represents issues to the Weaving section.

It was explained that the market rates of silk are on the downward trend due to the sale of imported foreign silk at far cheaper rates and that to guard against losses, the stocks of the filatures are held back from sale. This would indicate the necessity to watch carefully the trend of market and issue orders for quick disposal of the goods at the most opportune moments to prevent accumulation of stock and possible deterioration in quality.

(*c*) *Disposal of surplus plant and machinery.*—It is seen that out of 384 basins purchased in 1945 64 basins have been dismantled to make provision for the installation of a new twisting machinery. Early action has to be taken to dispose of the dismantled basins to the best advantage of Government as they are no longer required in the Filatures. In view of the fact that the possibilities of utilizing the plant and machinery of Kollegal Silk Filature which contains 150 basins appear to be far remote, the question of their disposal may be taken up early. If the plant and machinery are to be disposed of, there will be a decrease in the amounts of depreciation and interest charges on capital of about Rs. 1,05,460 resulting in the reduction of present overheads. It is was already mentioned in paragraph V of the report for 1948 49 and paragraph IV of the report for 1949–50.

(*d*) The Atwood silk twisting machinery to the value of Rs. 3,15,500 capable of producing 50 lb. of organzine silk per day has been imported from abroad in March 1951 and its installation is awaited This will go a long way in meeting the demand for thrown silk for the handloom silk weaving industry and improving further the financial position of the Filatures.

(e) The question of systematization of imports of foreign raw silk by restricting the grant of licences is under the active consideration of the Central Silk Board. The final outcome of the proposals will be watched with interest as the decision has an important bearing on the future of the silk industry.

IX. Subject to the foregoing remarks, I certify that I have obtained all the information and explanations that I have required and that the balance sheet signed by me as relative thereto exhibits a true and correct view of the state of affairs of the Government Silk Filatures, Kollegal, as on 31st March 1951.

R. SUBRAHMANIAM,
Assistant Examiner (Outside Audits).

ANNEXURE I

[*Vide* Section II—Paragraph III of the Report.]

Self-cheques drawn.

Date.	Amount. Rs.	Date.	Amount. Rs.
1950—		1950—	
30th October	50,000	27th November	50,000
4th November	50,000	30th November	50,000
10th November	50,000	7th December	50,000
13th November	50,000	15th December	50,000
22nd November	50,000		

Cash balances exclusive of advances pending with subordinate officers lying in the chest.

Date.	Amount. Rs. A. P.	Date.	Amount. Rs. A. P.
1950—		1950—*cont.*	
30th October	45,698 6 4	27th November	46,346 0 1
31st October	40,771 5 10	28th November	30,352 5 4
1st November	27,785 10 10	29th November	20,379 7 7
2nd November	18,633 9 4	30th November	64,542 8 7
3rd November	18,055 11 4	1st December	46,283 3 1
4th November	55,884 11 1	2nd December	45,669 0 7
5th November	49,152 7 8	3rd December	30,469 0 7
6th November	43,028 15 7	4th December	30,579 3 7
7th November	22,561 15 1	5th December	25,234 1 7
8th November	23,128 10 1	6th December	15,992 12 10
9th November	18,169 7 10	7th December	65,599 0 7
10th November	48,629 0 10	8th December	43,604 2 10
11th November	36,891 2 10	9th December	38,493 9 10
12th November	17,053 0 10	10th December	38,493 9 10
13th November	66,377 11 10	11th December	27,592 2 4
14th November	66,377 11 10	12th December	23,862 3 1
15th November	50,255 11 7	13th December	13,466 0 1
16th November	47 021 5 7	14th December	7,935 11 1
17th November	46,349 7 7	15th December	59 667 7 1
18th November	41,149 1 7	16th December	50,164 15 1
19th November	41,149 1 7	17th December	45,601 14 1
20th November	41,909 15 4	18th December	40,790 2 1
21st November	35,713 12 4	19th December	38,865 14 7
22nd November	65 334 3 4	20th December	
23rd November	56,123 11 4	21st December	34,873 0 10
24th November	34,524 7 4	22nd December	26,893 9 10
25th November	17,044 10 10	23rd December	20,375 0 10
26th November	3,044 10 10	24th December	20 375 0 10

ANNEXURE II.

(Vide Paragraph VII in Section III.)

Comparison of estimated figures exhibited in the Production and Sales Budget with the actuals for 1950-51.

	Estimate for the year. (1)	Actuals. (2)	Reasons for the variation. (3)
	Rs.	Rs.	
I. Silk—			
1. Net profit	**1,54,848**	**45,171**	The decrease in profit as compared with the estimate is mainly due to (i) reduced production for the reasons stated against item (2) below and (ii) the idle expenditure of Rs. 41,416 incurred during the period of closure of the factory for three months and twenty-three days.
2. Cost of service (purchase price of materials, other production factors, etc.)	**17,99,452**	**9,74,751**	The decrease is not proportionate to the decrease in production due to (i) increase in the purchase price of raw materials, i.e., cocoons, the average cost of which worked out to Rs. 1-13-6 per lb. as against the estimated rate of Re. 1-6-0 per lb. and (ii) the actuals under direction charges and interest on capital exceeded the budget provision as shown below:—

	Estimate. (1)	Actuals. (2)	Difference (3)
	Rs.	Rs.	Rs.
Direction	5,000	9,026	4,026
Interest on capital	(—) 5,200	13,580	18,780
Total ..			22,806

and (iii) the idle expenditure incurred during the period of closure.

	Lbs.	Lbs.	
3. Volume of production ..	**53,500**	**22,726**	The factory was not open to production for three months and twenty-three days during the year and the actual number of basins worked was 36,614 as against an estimated number of 67,200. This was mainly due to inadequate supply of cocoons on account of adverse seasonal conditions (such as failure of rains).

ANNEXURE II—*cont.*

Comparison of estimated figures exhibited in the Production and Sales Budget with the actuals for 1950-51—*cont.*

	Estimate for the year. (1) Estimate. Quantity. LB.	Estimate for the year. (1) Estimate. Value. RS.	Actuals. (2) Actuals. Quantity. LB.	Actuals. (2) Actuals. Value. RS.	Reasons for the variation. (3)
I Silk—*cont.*					
4. Volume of sales—					
Silk	50,000	17,50,000	20,186	8,96,304	The reduction in sales (quantity) is due to reduced production during the year. The products were sold at more than the estimated rates during the year.
Duppion	5,500	55,000	3,549	53,567	
Silk waste	35,000	70,000	9,633	30,050	
		18,75,000	..	9,79,930	
I. Silk fabrics—					
	RS.		RS.		
1. Net profit	4,106		1,741		The decrease is due to reduced production during the year.
2. Total cost of service	63,626		26,572		The cost per yard worked out to Rs. 12-6-0 as against the estimated rate of Rs. 9-11-3. This is mainly due to reduction in the quantum of production by each labourer as stated in item 3 below.
	YDS.		YDS.		
3. Volume of production	6,912		2,151		The fall in the production of silk cloth is mainly due to the fact that all the looms were engaged in the manufacture of crepe, 2 shuttle weaving and lace border sarees to meet the demand as against the plain ones estimated to be produced. Each loom can produce only ¾ yard (to 2 yards) of the sarees of the above type as against 3 yards of a plain fabric per day.
	Quantity. (1) YDS.	Value. RS.	Quantity. (2) YDS.	Value. RS.	
4. Sales	6,500	61,752	4,056	40,037	The reduction in sales is due to reduced production during the year. The products were sold at slightly more than the estimated

GOVERNMENT SILK FILATURES, KOLLEGAL.

BALANCE SHEET AS ON 31ST MARCH 1951.

Capital and Liabilities.	Rs.	A.	P.	Rs.	A.	P.
Capital as per Balance Sheet on 1st April 1950.	1,04,457	5	8			
Add—Leave and pension contribution up to 31st March 1950.	30,363	2	8			
Interest up to 31st March 1950.	2,13,227	15	0			
Audit fee up to 31st March 1950.	5,381	5	0			
				3,53,429	13	4
Add—Cheques drawn	11,61,799	4	0			
General Provident Fund deductions.	1,958	6	0			
Income-tax and surcharge	46	14	0			
Debit adjustment by Accountant-General.	6,823	14	9			
Leave and pension contribution for 1950–51.	3,069	0	0			
Interest for 1950–51	13,579	9	0			
Audit fees for 1950–51	950	0	0			
Secretariat charges	925	0	0			
Direction charges	9 026	0	0			
				11,98,182	15	9
				15,51,612	12	1

Property and assets.	Rs.	A.	P.	Rs.	A.	P.
Land, buildings, plant and machinery.	5,38,871	11	5			
Add—Additions	13,565	10	0			
Total	5,52,437	5	5			
Deduct—Depreciation and disposals	39,691	12	7			
				5,12,745	8	10
Finished products—						
Silk lb. 3,200–13	1,32,292	2				
Duppion silk lb. 257–13½	4,218	6	3			
Silk waste lb. 6,750–3	13,723	5	0			
				1,55,233	13	9
Fabrics				25,797	5	9
Loss of silk to be written off				6,218	6	6
Raw materials—						
Good cocoons lb. 1,14,604–8	97,685	7	9			
Rat-eaten cocoons	1,369	5	11			
Gold and silver lace	353	13	0			
				1,99,408	10	8
Other stores—						
Fuel	2,594	11	0			
Coal	426	3	6			
Miscellaneous stores	18,856	11	9			
Petrol	318	8	0			
Dye stuff	493	3	9			
				2,689	6	0
Service postage				99	8	9
Sundry debtors				9,735	10	1
Due from Central Silk Board				1,922	13	4
Demurrage charges (suspense)				203	0	0

BALANCE SHEET AS ON 31ST MARCH 1951—*contd.*

Capital and Liabilities:							Property and assets						
Deduct—							Stock in process—						
	Rs.	A.	P.	Rs.	A.	P.		Rs.	A.	P.	Rs.	A.	P.
Remittances into treasury ..	12,12,829	8	0				Silk	5,022	1	3			
Sales tax remitted and adjusted ..	— 15,907	0	9				Gold lace	651	4	6			
	11,96,922	7	3								5,673	5	9
Credit adjustment	18,887	12	10				Objection book advance repayable ..				34	0	0
							Security deposit as per contra ..				600	0	0
Payments on behalf of Sericultural section.	2,166	6	0				Closing cash balance				4,928	6	3
General Provident Fund withdrawal.	619	0	6										
				12,18,596	10	1							
Closing capital				3,33,017	2	9							
Liabilities—													
Outstanding liability				33,400	6	7							
Sundry debtors—credit balance				1,720	14	0							
Sales tax payable				2,887	11	3							
Security deposits				600	0	0							
Profit and Loss Reserve Account—													
Profit to end of 1949-50	5,26,052	2	10										
Add Profit for 1950-51	46,911	11	0										
				5,72,963	13	10							
				9,44,589	15	8							
											9,44,589	15	8

Manufacturing Account for the year ended 31st March 1951.

Dr. Cr.

Particulars.	Amount. Rs. A. P.	Amount. Rs. A. P.	Particulars.	Amount. Rs. A. P.
To Raw materials consumed—			By sale of dead pupæ	783 8 3
Cost of cocoons 407,922 lb. 6 oz.	7,52,040 7 10		Value of transferred to trading account—	
Add—Conveyance charges	15,588 4 3		(i) Silk, lb. 22,725–14	9,19,530 15 6
Other incidental charges ..	1,773 3 3		(ii) Duppion silk, lb. 805–11½	12,161 1 3
		7,69,401 15 4	(iii) Silk waste, lb. 12,103–6	37,823 0 9
,, Cost of fuel consumed	5,350 1 9			
Add—Conveyance charges	7,794 2 12			
		13,144 3 11		
To Cost of electric power consumed ..		5,031 15 0		
,, Coal consumed		648 8 6		
,, Cost of general stores consumed including freight, etc.		2,390 12 3		
,, Wages and dearness allowance of labourers.		1,02,934 5 9		
,, Pay and dearness allowance of factory staff.		27,052 10 0		
,, Do. Officers 2/3 ..		2,257 8 0		
,, Do. Office staff 2/3		5,568 11 0		
,, Travelling allowance		3,095 10 0		
,, Maintenance of boiler		487 12 6		
Do. plant and machinery		1,615 10 5		
Do. buildings ..		499 8 2 7		
Do. Cart		1 2 0		
,, Depreciation of factory buildings, plant, etc.		32,194 15 3		
,, Other miscellaneous expenses (taxes, etc.)	1,784 2 3 2,179 3 0			
		3,963 5 3		
		9,70,298 9 9		9,70,298 9 9

Dr. TRADING ACCOUNT FOR THE YEAR ENDED 31ST MARCH 1951.

(SILK.)

Particulars.	Amount.	Amount.	Particulars.	Amount.	Amount.
	Rs. A. P.	Rs. A. P.		Rs. A. P.	Rs. A. P.
To Opening Stock—			By Sale of—		
Silk, lb. 1,070–6	49,539 10 6		Silk, lb. 20,185–10½	8,96,304 0 0	
Duppion silk, lb. 3,047–15½	42,005 0 6		Duppion silk, lb. 3,548–	51,566 9 3	
Silk waste, lb. 3,635–9 ..	1,891 3 1				9,47,370 9 3
Kilohas	13 7 6		Silk waste (sales), lb. 9,632–12 ..		30,058 14 0
Throwsters waste	54 0 0		Silk issued to weaving section, lb. 445–14.		19,684 10 6
		93,503 5 3			
Value of stock to be written off.		6,610 9 9			
Production—			Closing Stock—		
Silk, lb. 22,725–14 ..	19,530 15 6		Silk lb. 3,200–13		1,32,292 2 6
Duppion silk, lb. 805–11½ ..	12,161 1 3		Duppion silk, lb. 257–13½ ..		4,218 6 3
Silk waste, lb. 12,103–6 ..	37,825 0 9		Silk waste lb. 6,750–3 ..		18,723 5 0
		9,69,515 1 6			
Packing materials ..		1,604 4 9	Value of stock to be written off		6,218 6 6
Petrol	14,285 5 0				
Maintenance of motor vehicles including pay of drivers and cleaners.	17,026 3 7				
	31,411 8 7				
Less lorry hire	235 0 0				
	31,176 8 7				
Half to cocoons	15,588 4 3				
Quarter to fuel	7,794 2 2				
Quarter to Carriage outwards		7,794 2 2			
Agents' commission		92 7 0			
Gross profit		31,940 7 7			
		11,61,066 6 0			11,61,066 6 0

COMBINED MANUFACTURING AND TRADING ACCOUNT OF THE WEAVING SECTION FOR THE YEAR ENDED 31ST MARCH 1951.

Dr.

Particulars.	Amount. Rs.	A.	P.
To Opening Stock—			
Fabrics	37,521	5	11
Yarn (silk)	2,208	10	6
Gold and silver lace	205	9	6
„ Silk obtained from Silk section.	19,684	10	0
„ Weaving charges	5,060	9	0
„ Gold and silver laces obtained from stores.	4,697	10	4
„ Bleaching	68	15	11
„ Dyes consumed	209	11	0
„ Profit carried over to profit and loss account.	1,740	11	11
	71,507	15	0

Cr.

Particulars.	Rs.	A.	P.	Amount. Rs.	A.	P.
By sale of fabrics	—			40,037	4	0
„ Closing stock of silk fabrics manufactured.	25,635	15	0			
„ Gudiyattam	161	0	0			
				25,797	6	0
„ Silk in Weaving section and on looms.				5,022	1	0
„ Gold lace in Weaving section and on looms.				651	4	0
				71,507	15	0

Combined Profit and Loss Account for the year ended 31st March 1951.

SILK AND SILK FABRICS.

Dr.

Particulars.	Amount. Rs.	A.	P.
To Pay and allowances of officers 1/3	1,128	12	0
„ Pay and allowances of office establishment 1/3	2,784	5	0
„ Medical aid	1,472	9	4
„ Postage	1,121	9	6
„ Stationery and forms	682	7	2
„ Office contingencies	99	5	3
„ Property-tax (other than factory buildings)	950	14	0
„ Books and periodicals	133	2	0
„ Advertisement	1,225	0	0
„ Exhibition expenses	893	11	8
„ Repairs to cycles	54	0	0
„ Depreciation other than factory	4,523	0	0
„ Leave and pensionary contribution	3,069	0	0
„ Direction charges	9,026	0	0
„ Interest on capital	13,579	0	0
„ Audit fees	950	0	0
„ Secretariat staff fee	936	0	0
„ Electric consumption charges	(559)	14	0
„ Maintenance of electrical installation	1,184	4	
„ Maintenance of creche	1,211	20	22
„ Write-off-rat of eaten cocoons	234	5	1
„ Maintenance of livestock	266	4	2
„ Do. tools	755	8	11
„ Net profit	46,911	11	0
Total ..	92,641	0	0

Cr.

Particulars.			Amount. Rs.	A.	P.
By Profit from Trading account			81,940	7	7
„ Do. Weaving section			1,740	11	11
„ Rent			5,992	14	0
„ Sale of fuel chips			22	10	0
„ Other receipts			2,738	14	9
„ Trailor pump hire charges			179	7	0
„ Forwarding charges collected			20	3	6
„ V.P. charges collected			5	12	0
Total ..			92,641	0	0

No. 3414-DEVELOPMENT, THE AUGUST 1952.

Statement showing monthly consumption of cocoons, wages paid and yield of silk and silk waste during the year 1950-51.

Month.	Cocoons consumed (good+double)	Wages paid.	Percentage of wages to cocoons consumed.	Silk produced.	Duppion silk produced.	Silkwaste produced.	Percentage of silk produced to good cocoons used	Percentage of duppion silk produced to double cocoons used.	Percentage of silk waste produced to cocoons used.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	LB. OZ.	RS. A. P.		LB. OZ.	LB. OZ.	LB. OZ.			
April 1950	..	767 5 0	..	6 13½	..	..	..	..	..
May 1950	..	851 3 6	..	9 6	..	..	..	..	..
June 1950	630 0	603 9 0	95·87	18 12½	0 11½	12 8	2·98	..	1·99
July 1950	7,709 8	3,067 1 0	39·91	824 10½	10 0	229 0	6·80	5·81	2·91
	172 0								
August 1950	29,813 0	10,270 10 0	32·47	1,828 11½	113 15½	913 12	3·14	7·54	3·02
	1,512 0								
September 1950	44,863 4	10,555 3 0	22·50	2,352 3	92 15	1,118 12	5·24	4·56	2·39
	2,038 10								
October 1950	42,491 8	10,515 0 0	23·51	2,669 2½	01 8	1,380 0	6·28	4·57	3·09
	2,220 4								
November 1950	54,891 12	13,234 1 0	23·28	3,375 1½	96 7½	1,941 8	6·15	4·93	3·41
	1,958 0								
December 1950	60,221 8	14,812 1 0	23·66	3,576 8½	98 12½	1,802 0	5·24	4·16	2·88
	2,373 0								
January 1951	54,113 12	13,749 14 0	25·01	2,940 12½	72 4½	1,604 8	5·43	3·41	2·92
	859 0								
February 1951	46,969 8	11,546 2 0	23·91	2,568 12	82 13½	1,321 0	5·47	5·31	2·74
	1,311 4								
March 1951	51,898 4	13,380 4 0	24·88	2,855 8½	136 2½	1,624 12	5·50	7·25	3·02
	1,876 4								
Total ..	393,602 0	1,03,352 5 0		22,725 14	805 11½	11,947 12*			
	14,320 0								

* Excludes 155 lb. 10 oz. being excess found in stock verification.

STATEMENT II.

Calculation of interest for 1950-51.

	Rs. A. P.	Rs. A. P.
Opening Capital		3,53,429 12 4
Add—		
Cheques drawn	11,61,799 4 0	
General Provident Fund Deductions	1,958 0 0	
Sales tax and general charges	46 14 0	
Debit adjustments	6,828 14 9	
Leave salary contribution	3,069 0 0	
Audit fees	950 0 0	
Secretariat staff charges	925 0 0	
Direction charges	9,026 0 0	
Opening cash balance	11,040 7 6	11,95,643 14 1
		15,49,073 10 5
Deduct—		
Remittances	12,12,829 8 0	
Less sales tax	15,907 0 9	
	11,96,922 7 3	
Credit adjustment	18,887 12 10	
Payment on behalf of Sericultural section	2,766 6 6	
General Provident Fund withdrawal	819 0 0	
Closing cash balance	4,928 6 3	12,23,524 0 6
		3,25,549 10 1
Closing capital without interest		14,127 8 0
Interest on Rs. 3,53,429-12-4 at 4 per cent		
Interest on mean capital—		
Rs. 3,25,549-10-1 *minus* 3,53,429-12-4 or		
— Rs. 13,940-1-3 at 4 per cent		— 557 10 0
		13,569 9 9

Statement III.

Statement of land, buildings, plant and machinery, etc.

Particulars.	Value of assets as on 31st March 1950.	Additions.	Disposals.	Net total.	Depreciation for 1950-51.	Depreciated value of assets as on 31st March 1951.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1 Land	9,171 1 7	..	..	9,171 1 7	..	9,171 1 7
2 Main building	38,091 11 1	..	..	38,091 11 1	2,857 0 0	35,234 11 1
3 Cocoon storage	31,196 13 5	..	..	31,196 13 5	2,340 0 0	28,856 13 5
4 Silk examining and packing room	4,592 1 6	..	..	4,592 1 6	344 0 0	4,248 1 6
5 Manager's quarters	5,716 8 9	..	..	5,716 8 9	143 0 0	5,573 8 9
6 Masonry drains	2,142 2 9	..	..	2,142 2 9	161 0 0	1,981 2 9
7 General stores and workshops	1,474 12 7	..	..	1,474 12 7	111 0 0	1,363 12 7
8 Boiler room	1,797 4 0	..	..	1,797 4 0	135 0 0	1,662 4 0
9 Office building	27,686 9 3	..	..	27,686 9 3	2,076 0 0	25,610 9 3
10 Chowkidars' quarters	1,169 6 2	..	..	1,169 6 2	88 0 0	1,081 6 2
11 Latrines and urinals for work people	1,854 15 1	..	..	1,854 15 1	139 0 0	1,715 15 1
12 Roads and culverts	1,608 12 6	..	..	1,608 12 6	121 0 0	1,487 12 6
13 Compound wall and gate	1,174 15 8	..	..	1,174 15 8	88 0 0	1,086 15 8
14 Double garage	710 1 1	..	..	710 1 1	53 0 0	657 1 1
15 Quarters for Technical Expert	6,172 3 6	..	..	6,172 3 6	154 0 0	6,018 3 6
16 Lunch sheds	3,384 13 5	..	..	3,384 13 5	254 0 0	3,130 13 5
17 Service reservoir	1,297 4 4	..	..	1,297 4 4	97 0 0	1,200 4 4
18 Servants' quarters	650 3 2	..	..	650 3 2	49 0 0	601 3 2
19 Latrines for staff	558 7 0	..	..	558 7 0	42 0 0	516 7 0
20 Saraswathi Bai Labour Colony	27,076 11 10	..	..	27,076 11 10	677 0 0	26,399 11 10
21 Reeling basins and machinery	93,105 0 6	..	..	93,105 0 6	11,173 0 0	81,932 0 6
22 Tools and equipment	27,439 14 4	..	..	27,439 14 4	3,293 0 0	24,146 14 4
23 Boilers	24,227 11 7	..	..	24,227 11 7	2,423 0 0	21,804 11 7
24 Station wagon	364 9 1	13,565 10 0	364 9 1	13,565 10 0	..	13,565 10 0
25 Steam and water pipe connexions	20,648 10 10	..	..	20,648 10 10	2,478 0 0	18,170 10 10
26 Stifling chamber	258 15 0	..	..	258 15 0	19 0 0	239 15 0
27 Furniture in Technical Expert's quarters	389 7 5	..	..	389 7 5	23 0 0	366 7 5
28 Water-supply and sinking of bore-well	3,956 13 7	..	..	3,956 13 7	237 0 0	3,719 13 7
29 Furniture in Manager's quarters	406 4 7	..	..	406 4 7	24 0 0	382 4 7
30 Ford trucks	773 1 4	..	..	773 1 4	193 0 0	580 1 4
31 Seehoir	8,979 10 9	..	..	8,979 10 9	1,078 0 0	7,901 10 9
32 Bullock	346 15 3	..	..	346 15 3	196 15 3	150 0 0
33 Furniture in Kollegal Silk Filature	2,728 6 3	..	..	2,728 6 3	164 0 0	2,564 6 3
34 Cart	315 14 2	..	..	315 14 2	38 0 0	277 14 2

STATEMENT III—*cont.*

Statement of land, buildings, plant and machinery, etc.—cont.

Particulars	Value of assets as on 31st March 1950.	Additions.	Disposals.	Net totals.	Depreciation for 1950–51.	Depreciated value of assets as on 31st March 1951.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
35 Radio sets	87 8 8	..	..	87 8 8	11 0 0	76 8 8
36 Seriplane and board	929 2 6	..	..	929 2 6	111 0 0	818 2 6
37 Denier scale	24 3 9	..	..	24 3 9	3 0 0	21 3 9
38 Serimeter	129 1 3	..	..	129 1 3	15 0 0	114 1 3
39 Denier testing machine	142 14 9	..	..	142 14 9	17 0 0	125 14 9
40 Silk throwing plant	10,904 8 7	..	..	1,904 8 7	133 0 0	1,771 8 7
41 Traitor pump	2,609 4 8	..	2,609 4 8	..	..	..
42 Electrification	15,583 12 0	..	..	15,583 12 0	1,558 0 0	14,025 12 0
43 Establishment charges	2,855 11 0	..	..	2,855 11 0	..	2,855 11 0
44 Handloom, first set	436 5 10	..	..	436 5 10	26 0 0	410 5 10
45 Handloom, second set	797 7 6	..	..	797 7 6	48 0 0	749 7 6
46 Scientific instruments	252 15 9	..	..	252 15 9	30 0 0	222 15 9
47 Books and periodicals	88 0 3	..	..	88 0 3	..	88 0 3
48 Silk waste godown	26,017 0 0	..	..	26,017 0 0	1,951 0 0	24,066 0 0
49 Atwood silk twisting machinery	1,13,460 0 0	..	..	1,13,460 0 0	..	1,13,460 0 0
50 Bangalore silk twisting machinery	22,085 6 0	..	..	22,085 6 0	1,546 0 0	20,539 6 0
Total	5,38,871 11 5	13,565 10 0	2,973 13 4	5,49,463 8 1	36,717 15 3	5,12,745 8 10

III

Letter from the Director of Industries and Commerce, Madras, to the Secretary to Government, Development Department, dated 4th March 1952, No. 2439D-1/51.

[Industries—Sericulture—Government Silk Filatures, Kollegal—Audit report and accounts for the year, 1950-51. *Reference.*—Government, Development, Memo. No. 135177-M-I/51-1, dated 19th December 1951.]

I furnish the following remarks on the several points raised in the audit report on the accounts of Government Silk Filature, Kollegal, for the year 1950-51:—

Paragraphs I and II.—No remarks.

Section I (a) (2—Introduction of cost accounting—Paragraph III.—Inasmuch as the post of Cost Accountant sanctioned in G.O. No. 2867, Development, dated 21st June 1951, i.e., during the year 1951-52, was filled up only on 27th October 1951, the Cost Accounting System could not be introduced during the year. The Sericultural Expert has been instructed to introduce the system from 1st April 1952.

Section I (b)—Bleaching losses.—Revised percentages up to which losses due to bleaching of silk can be allowed were recommended to Government in this office letter No. 6362-D1/50, dated 20th September 1951, and final orders of Government are awaited.

Section A—Paragraph 2—Storing of silk.—The Executive Engineer, Salom Division, Mettur Dam, has been asked to prepare an estimate for the construction of a store-room for storing silk. On receipt of the estimate, Government will be addressed for necessary sanction.

Section B—Paragraph 3 Buildings.—Government have passed orders in Memo. No. 41290-MI/51-5, Development, dated 18th October 1951, that the value of the buildings transferred to the Public Works Department need not be recovered from the Public Works Department.

Sundry debtors.—Kind reference is invited to paragraph VI of section B in this office letter No. 6362-D/50, dated 20th September 1951, and early orders of Government are requested in the matter.

Section II.—I. Reconciliation.—(*a*) The Cashier-Accountant of the Filature was sent to Coimbatore during the third week of December 1951 and the Department figures in respect of I. Remittances and II. Cheques have since been reconciled with those booked at the Huzur Treasury, Coimbatore, for the year 1950-51 and up to November 1951 in 1951-52.

The statements of reconciliation have been forwarded to the Accountant-General by the Sericultural Expert.

(*b*), (*c*) *and* (*d*).—The Sericultural Expert has reported that the correct procedure is being followed with effect from December 1951 accounts as reconciliation has already been carried out up to November 1951 and that reconciliation with other Treasuries also will be carried out with effect from December 1951.

I. *Withdrawal of amounts from Treasury.*—The Sericultural Expert, Government Silk Filature, Kollegal, has been instructed to draw separate cheques for pay, allowances, travelling allowances and wages of workmen, etc., in future for the exact amount of the bills as suggested by the Accountant-General.

III. *Accumulation of cash in the cash chest.*—The necessity for keeping large amounts of money in the cash chest was already explained to Government in paragraph VI of section A of this office letter No. 6362, D1/50, dated 20th September 1951, and the orders of Government are awaited.

IV. *Verification of stock.*—The reports received from the Stock verifying Officer are being examined in consultation with the Sericultural Expert and a final report on the results of the stock verification will be sent to the Accountant-General shortly.

V. *Security deposits.*—(i) The security of Rs. 100 taken from the Grainage Assistants is for some of the articles such as "Microscope" etc., entrusted to them for safe custody. The purchase and disbursement of cocoons were hitherto made by the Market Officers themselves; but now that the Sericultural Expert is the head of both the Sericultural and Filature sections, the disbursement work is entrusted to the Grainage Assistants for securing administrative efficiency. The Grainage Assistants are doing this work in addition to their work relating to the Sericultural section. It is considered that if the present system should continue permanently, additional security for the cash of the Filature section entrusted to them may have to be taken. This aspect will be examined and further report will be submitted.

(ii) The Store Clerk Sri R. Sankaran is not in service now. The security will be obtained from the clerk who is now in charge of stores.

(iii) The Sericultural Expert has been asked to take immediate action to have the fidelity bond renewed if not already done.

(iv) The Sericultural Export is being instructed to collect from the Store-keeper the security deposit as suggested by the Accountant-General.

VI. Balance of stores on hand.—The Sericultural Expert has promised to reconcile the stock of stores as on 31st March 1951 and on receipt of his report, a report will be submitted to Government.

Section III.—I. Proforma Accounts and II. (1) *Cost of production and* (2) *Raw materials.*—No remarks.

(3) *Valuation of bye-products.*—Kind attention of Government is invited to this Office letter No. 6362-D1/50, dated 20th September 1951, wherein I have explained that it will not be appropriate to debit any portion of the pay of the market organization to the accounts of the Government Silk Filature. Government orders are awaited.

III. (*a*) *and* (*b*).—No remarks.

(*c*).—The balance of Rs. 6,218-6-6 has also been written off by Government—vide G.O. No. 1992, Development, dated 1st May 1951.

IV. (*a*).—No remarks.

(*b*) Government have issued orders directing that the silk issued to the Weaving section should be valued with reference to the cost of production—vide Development Memorandum No. 90271-M-I/51-4, dated 30th November 1951. The Sericultural Expert was thereupon asked to report whether it would be possible to give effect to the orders of Government from the beginning of this year (1951-52). He has submitted his remarks and they are under examination. A further report will follow.

(*c*) *Overheads.*—I invite a kind reference to this office letter No. 6362-D1/50, dated 20th March 1951, wherein I have submitted that the question of debiting the pay and allowances of the Foreman in charge of the Handloom

section to the trading and manufacturing accounts may be considered after the Weaving section is made permanent or the Power-loom Weaving section is started at the Government Silk Filature, and final orders of Government are awaited.

V. (*a*) *Depreciation.*—Government have approved the uniform rates of depreciation in G.O. No. 4391, Development, dated 4th October 1951, and these rates will be adopted from the year 1951-52.

(*b*) *Books and periodicals.*—An inventory will be opened by the Sericultural Expert as suggested by the Accountant-General, Madras.

(*c*) *Leave and pensionary contribution.*—No remarks.

(*d*) *Interest on capital.*—Sericultural Expert has been asked to note the instructions.

(*e*) *Rent.*—No remarks.

VI. *Balance-sheet.*—(*a*) (i) No remarks.

(ii) In giving effect to the suggestion made by the Accountant-General, the Sericultural Expert states that the figures will have to be worked out from 1st September 1945, the date on which the concern was purchased by the Madras Government for the Government of India and it will take a long time to work out the same. He has, however, promised that the suggestions will be followed and adopted in the Balance-sheet for 1951-52.

(*b*) Credit sales are not allowed at the filatures. A small stock of silk fabrics is kept in the Central Office for sale. As soon as sales are effected, invoices are sent to the parties for payment. The sum of Rs. 652-11-0 will be recovered soon and remitted.

(*c*) *Amount due from the Central Silk Board—Rs.* 1,222-13-4.—The Central Silk Board has remitted a sum of Rs. 2,000 to Government Silk Filatures and this has been credited to Government Silk Filature accounts. The sum of Rs. 1,222-13-4 due from the Central Silk Board will be adjusted from this amount.

(*d*) *Demurrage charges.*—The matter is still under correspondence with the Railway authorities. The result of the correspondence will be reported in due course.

(*e*) No remarks.

VII *and* VIII (*a*) *and* (*b*).—No remarks.

(*c*) *Disposal of surplus machinery.*—A separate report has been promised by the Sericultural Expert and on receipt, it will be submitted to Government.

(*d*) *and* (*e*).—No remarks.

IX.—No remarks.

IV

Letter from the Director of Industries and Commerce, Madras, to the Secretary to Government, Development Department, dated 7th June 1952, No. 2439-D1-51.

[Government Silk Filature, Kollegal—Audit Report on the accounts for the year 1950-51. *Reference.*—This office letter. dated 4th March 1952. No. 2439-D1-51.]

In continuation of this office letter cited above, I submit below my further replies in respect of the audit report on the accounts of the Government Silk Filatures, Kollegal for the year 1950-51

Section I—Paragraph II—Cost accounting.—The Sericultural Expert has reported that process costing would be introduced from 1st April 1952. Till now only monthly costing statements were prepared from which the cost of silk per lb. has been arrived at. I have deputed the Commercial Accountant from this office to examine whether the correct procedure is being adopted by the Sericultural Expert in assessing the cost at various stages of productions.

Section II—Paragraph IV—Verification of stock.—The final report on the results of the annual stock verification for the year 1950–51 is under preparation and will be submitted to Government separately.

Paragraph V—Security deposits—Security from Grainage Assistant.—The Sericultural Expert has issued instructions to the Sericultural section in the matter. I shall submit a further report on hearing from the Sericultural Expert.

Security from the Cocoon Storekeeper.—The present Cocoon Storekesper has been asked by Sericultural Expert to furnish security and I shall submit a further report on hearying from the Sericultural Expert.

Paragraph VI—Balance of store on hand.—The value of the stores as per stock book and that as per the ledger have been reconciled and I am addressing the Accountant-General, Madras, to adjust the difference.

Order—No. 3414, Development, dated 7th August 1952.

Recorded.

SECTION I.

2. *Paragraph III (a) of the Audit Report—Report on the accounts for* 1948–49*—Cost accounts.*—Process costing system of accounts would be introduced in the Government Silk Filatures, Kollegal, for the year 1952–53, from 1st April 1952 onwards.

3. *Paragraph III (b) (1) of the Audit Report—Report on the accounts for* 1949–50*—Bleaching losses.*—Revised percentages up to which losses due to bleaching of silk can be allowed have been fixed in paragraph 4 of G.O. Ms. No. 690, Development, dated 25th February 1952.

4. *Paragraph III (b) (2) of the Audit Report—Report on the accounts for* 1949–50*—Storing of silk.*—The Director of Industries and Commerce is requested to expedite the proposals for the construction of a store-room for storing silk.

5. *Paragraph III (b) (3) of the Audit Report—Adjustment of value of buildings transferred to Public Works Department.*—In Memorandum No. 41290-M.I/51-5, Development, dated, 18th October 1951, the Government have decided that as the residential and non-residential buildings of the Government Silk Filatures, Kollegal, were transferred to the Public Works Department for better management only and as commercial accounts are maintained by the Industries Department for the silk filatures, there is no need for the Public Works Department to maintain Capital and Revenue accounts for the buildings separately or pay the value of the buildings to the Department of Industries and Commerce by book adjustment.

6. *Paragraph III (b) (4) of the Audit Report—Sundry debtors.*—Credit sales of handloom fabrics to the extent of Rs. 1,060-3-6 have been ratified by the Government in paragraph 15 of G.O. Ms. No. 690, Development, dated 25th February 1952.

Section II.

7. *Paragraph I of the Audit Report—Reconciliation of the figures booked in the department with those of treasury.*—The Director of Industries and Commerce is informed that in future there should be no delay in the reconciliation of the departmental figures with those of the treasury and that the instructions of the Accountant-General regarding reconciliation of figures should be strictly followed.

8. *Paragraph III of the Audit Report—Accumalation of balances in the cash chest.*—In paragraph 6 of G.O. Ms. No. 690, Development, dated 25th February 1952, the Government have fixed Rs. 20,000 as the limit up to which the Sericultural Expert, Kollegal, may draw cash or keep cash in the cash chest at any one time.

9. *Paragraph IV of the Audit Report—Periodical physical verification of stock.*—The final report of the Director of Industries and Commerce on the results of the annual stock verification for the year 1950–51 is awaited. The annual stock verification for 1951–52 should also be expedited.

The Director of Industries and Commerce is requested to see that in future annual physical verification of stock in the filatures is conducted before 1st April each year.

10. *Paragraph V of the Audit Report—Security deposits.*—The Director of Industries and Commerce is requested to take immediate action in the matter as pointed out in Audit.

The further report from the Director of Industries and Commerce in regard to the collection of security deposits from Grainage Assistants and Cocoon-Store-keeper is awaited.

11. *Paragraph VI of the Audit Report—Balance of stores on hand.*—(i) The Director of Industries and Commerce is requested to submit a report on the reconciliation of the stock of stores as on 31st March 1951 after adjustment of the difference.

(ii) The instructions of the Accountant-General regarding preparation of abstract from the stores registers and its reconciliation with the figures shown in the balance-sheet should be strictly followed in future. The Director of Industries and Commerce is requested to report why the omission recurred even though it was pointed out in the Audit Note of the previous year.

Section III.

12. *Paragraph II (3) of the Audit Report—Valuation by products and allocation of overheads.*—The view that since the Government Silk Filatures, Kollegal, is merely a buyer of cocoons, it will not be appropriate to debit any portion of the pay of the market organization to its accounts has been accepted by the Government vide, paragraph 8 of G.O. Ms. No 690, Development, dated 25th February 1952.

13. *Paragraph III (c) of the Audit Report—Value of silk to be written off*—The write-off of a sum of Rs. 6,218–6–6 being the value of silk found deficient during stock verification in the Government Silk Filatures, Kollegal, has been sanctioned by the Government in G.O. Ms. No. 1992, Development, dated 1st May 1951.

14. *Paragraph IV of the Audit Report*—(i) *Silk issued to the Weaving department.*—The Director of Industries and Commerce's report on the valuation of silk issued to the Weaving department is awaited.

(ii) *Fixation of selling prices of fabrics.*—The Government have decided that the question of adding overhead charges to the selling price of fabrics should be considered after the Weaving section is made permanent or after the Powerloom section commences working. The proposal of the Director of Industries and Commerce to fix the margin of profit for sale of silk fabrics at 6¼ per cent of the cost of the fabrics has been accepted by the Government and orders issued in paragraph 10 of G.O. Ms. No. 690, Development, dated 25th February 1952.

(iii) *Overheads.*—In his letter No. 6362-DI/50, dated 20th March 1951, the Director of Industries and Commerce has reported that the suggestion of the Audit to debit the pay and allowances of the Foreman to the Manufacturing and Trading Account of the Weaving section will be followed from 1951-52. The Director of Industries and Commerce is requested to report whether he has not done so.

15. *Paragraph V of the Audit Report*—(i) *Depreciation.*—Uniform rates of depreciation in all Government commercial concerns under the control of the Director of Industries and Commerce has been fixed in G.O. Ms. No. 4391, Development, dated 4th October 1951.

(ii) *Books and periodicals.*—An inventory of books and periodicals purchased by the Sericultural section should be opened at an early date and a report submitted to the Government.

16. *Paragraph VI of the Audit Report*—(i) *Land, buildings, plant and machinery, etc.—Rates of depreciation.*—The suggestion of the Accountant-General that the value of each class of asset (land, buildings, etc.) and the additions thereto, depreciation written off in respect of each, depreciation witten off to the end of the previous year and that provided for during the current year may be shown separately in the balance-sheet, will be given effect to from 1951-52 onwards.

(ii) *Sundry debtors.*—The Director of Industries and Commerce is requested to collect at once the amount of Rs. 652-11-0 being the cost of silk fabrics sold during 1950-51 and to submit a report to the Government. The Director of Industries and Commerce is informed that in future sale of silk fabrics kept in the Central Office should be made only against cash payment on the spot.

(iii) *Demurrage charges.*—The Director of Industries and Commerce is requested to expedite the matter and to submit a report to the Government at an early date.

17. *Paragraph VIII (c) of the Audit Report—Disposal of surplus plant and machinery.*—The report from the Director of Industries and Commerce is awaited.

(By order of the Governor)

J. M. LOBO PRABHU,
Secretary to Government.

To the Director of Industries and Commerce, Madras.
" Accountant-General (through Finance Department).
" Finance Department.

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DEVELOPMENT DEPARTMENT

G.O. No. 3414, 7th August 1952

Industries—Sericulture—Government Silk Filatures, Kollegal—Audit Report, 1950-51—Recorded with remarks.

READ—the following papers:—

G.O. Ms. No. 5334, Development, dated 29th December 1950.
G.O. Ms. No 690 Development dated 25-2-50

II

Letter from the Accountant-General, Madras, to the Secretary to Government, Development Department, No. O.A. 31-24/51-52/406, dated 7th December 1951

[Audit report and accounts of the Government Silk Filatures, Kollegal, for the year 1950-51.]

I forward herewith for the information and orders of Government the accounts of the Government Silk Filatures, Kollegal, for the year 1950-51 together with the audit report thereon.

2. Special attention is invited to paragraph I, III, IV and V of Section II and paragraph VIII of Section III of the report.

3. Copies of the accounts and audit report are being forwarded to the Secretary to the Government of Madras, Finance Department, the Director of Industries and Commerce, Madras, and the Sericultural Expert, Government Silk Filatures, Kollegal, for information and necessary action.

4. Minor irregularities noticed are included in an audit note which is being sent to the Sericultural Expert, Government Silk Filatures, Kollegal, for reply and retransmission through the Director of Industries and Commerce, Madras.

Here enter A on p. 23 below

(G.O. P.9 Ord)

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ENCLOSURE.

AUDIT REPORT ON THE ACCOUNTS OF THE GOVERNMENT SILK FILATURES, KOLLEGAL, FOR THE YEAR 1950-51.

[Conducted from 17th to 30th August 1951 (10 *working days*).]

INTRODUCTORY.

I. *Scope of audit.*—(*a*) The accounts of the Government Silk Filatures, Kollegal, for the year 1949-50 were last audited in December 1950. The present audit is confined to a test-check of the accounts for 1950-51 with a detailed scrutiny of those for March 1951.

(*b*) Sri A. T. Janakiraman, B.SC., continued to hold charge of the post of Sericultural Expert, Government Silk Filatures, Kollegal, during the year.

II. The following are some of the important irregularities noticed during the present inspection :—

(1) Non-reconciliation of departmental figures with those of the Treasury.

(2) Accumulation of balances in cash chest.

(3) Delay in the periodical physical verification of stock.

(4) Omission to recover security deposit from two store-keepers.

They are dealt with in the succeeding paragraphs.

Section I.

III. *Outstanding points of the previous Inspection Reports*—(*a*) *Report on the accounts for* 1948-49—*Paragraph IX—Cost accounts.*—Cost accounting has not yet been introduced in the concern to assess the cost of production at every stage, viz., (1) cost up to the stage the cocoons are sorted and issued for reeling, (2) cost after reeling, (3) cost of silk produced after cleaning, baling, etc., and (4) cost of silk made into organzine and tram for weaving purposes. The total cost of production per pound of silk produced is worked out at the end of each month and the same communicated to the Director of Industries and commerce for information. The selling rate is, however, fixed with reference to the market conditions, under orders of the Director. Now that a post of Cost Accountant has been sanctioned by Government in G.O. Ms. No. 2867, Development, dated 21st June 1951, it should be possible to introduce costing in the concern, as suggested above. Action taken in this regard may be intimated.

(*b*) *Report on the accounts for* 1949-50—*Section A*—(1) *Paragraph IV Bleaching losses.*—The maximum limit fixed by the Director of Industries and Commerce for losses due to bleaching and approved by Government in G.O. Ms. No. 5334, Development, dated 29th December 1950, had been exceeded in a number of cases and it was suggested that the reasons therefor might be investigated and revised percentages prescribed, if necessary. Orders of Government on the revised percentages proposed by Sericultural Expert in his letter No. 362-A-2/51-1, dated 7th July 1951, to the Director of Industries and Commerce are awaited.

(2) *Paragraph V—Storing of silk.*—Silk yarn is stored in a room just like other ordinary stores. The desirability of taking adequate precautions in storing the silk in a storing room was suggested for consideration. The Executive Engineer, Public Works Department, was addressed by the Sericultural Expert in letter No. D/51, dated 30th June 1951, in the matter but no reply has yet been received from him. Action in this regard should be expedited.

Section B—(3) *Paragraph VI (a) (i)—Balance sheet.*—Orders of Government regarding the question of adjustment of the full market value of the buildings transferred to the Public Works Department are awaited.

Sundry debtors.—Orders of Government approving credit sales of Rs. 1,060-3-6 effected during 1949–50 are awaited.

Section II.

Report on the accounts for 1950–51.—I. *Reconciliation of the figures booked in the department with those of the Treasury.*—(*a*) The reconciliation of departmental figures with those booked in the Treasury has not been effected during 1950–51. In his letter No. 2306-A-1/50, dated 21st April 1951, the Sericultural Expert promised to have the reconciliation effected by the second week of May 1951 but no action has been taken so far in this regard. As reconciliation of departmental figures with those of the Treasury is essential to ensure that the amounts are properly booked in the Treasury, steps should be taken at once to have the reconciliation effected and to forward the certificates of reconciliation from April 1950 onwards to the Accountant-General, Madras.

(*b*) Reference is invited to letter No. T. 10. B, Commercial 648, dated 17th February 1951, addressed to the Director of Industries and Commerce wherein detailed instructions regarding reconciliation were issued for the guidance of the departmental officer. It is, however, noticed that they have not been complied with as noted below :—

(i) A Consolidated Treasury Receipt has not been prepared for remittances into the Treasury and sent to the District Treasury for verification and return (Rule 18 under T.R. 10).

(ii) In respect of withdrawals from the Treasury, pass books should have been maintained and sent to the Treasury at the end of each month to effect reconciliation of the amounts booked under "II. Cheques." A certificate for the total payment made by the Treasury during each month should have been obtained as in the case of Public Works offices from the Treasury Officer.

(*c*) Remittances made into the various treasuries on behalf of the concern by private parties are still accounted for under "I Remittances" notwithstanding the fact that instructions were issued in paragraph 4 of the Accountant-General's letter cited above to see that they are booked under "III. Other Remittances." The correct procedure may please be strictly followed in future.

(*d*) Reconciliation of departmental figures in respect of transactions with those of other treasuries may also be effected and the fact reported to the Accountant-General, Madras.

II. *Withdrawal of amounts from the Treasury.*—The funds required for day-to-day expenditure of the Government Silk Filatures are drawn by means of cheques on the local Treasury. The cheques are drawn for lump amounts whenever required and all expenditure in connexion with the disbursement of pay and allowances of officers and establishment, wages to labourers, etc., is met therefrom. The Market Officers are also given advances therefrom, for the purchase of cocoons. To ensure that amounts are not drawn in anticipation of requirements prior to the preparation of bills it is necessary to introduce the system (obtaining in other commercial

concerns) of drawing funds by cheques from the Treasury for the exact amounts of bills for pay, travelling allowance, wages of labourers, etc., and by separate cheques for meeting the requirements of Market Officers for the purchase of cocoons.

III. *Accumulation of balances in the cash chest.*—It is noticed that large amounts are drawn by self-cheques far in excess of immediate requirements, with the result that heavy balances were lying in the cash chest. The heavy withdrawals from the treasury in November 1950 and December 1950 and the actual cash balances during those months are given in the Annexure I. This is contrary to the instructions in Article 94 of Madras Financial Code, Volume I. It was explained that for purchasing cocoons at frequent intervals by the Marketing Officers money is always kept in the cash chest to the tune of nearly Rs. 50,000. It is disirable that the maximum amount that can be kept in the cash chest at any time is fixed under orders of Government. This was also pointed out in paragraph VI of the previous year's Inspection Report.

IV. *Periodical physical verification of stock.*—It is seen that physical verification of stock was not conducted in the Filatures before 31st March 1951 (Article 143 of the Madras Financial Code, Volume I). The verification of stores was begun in June 1951 and in respect of the following items, it is still in progress :—

Cocoons, dyestuffs, medical stores, Japanese reeling machinery spare parts, handloom accessories, pipes and fittings, fuel, petrol.

The result of the verification and action taken thereon may be intimated to audit.

Steps may kindly be taken to ensure that physical verification of stock is conducted before 1st April of each year.

V. *Security deposits.*—(i) It is seen that large sums of money ranging up to Rs. 10,000 even at times are advanced to the Grainage Assistants entrusted with the purchase of cocoons. A cash security of Rs. 200 only is taken from them for the moneys of Sericultural section handled by them. Additional security for the cash of the Filatures entrusted to them for the purchase of cocoons has not been taken.

Action to put up proposals in this regard has been promised by the Sericultural Expert. This may be expedited.

(ii) Security deposit has not been recovered from the temporary store clerk Mr. Sankaran as enjoined in Article 276 of Madras Financial Code, Volume I. Steps may be taken to collect the security forthwith, under intimation to audit.

(iii) It is seen that fidelity bond executed by Mr. Saiduddin Ahmed, Silk Store-keeper, expired on 22nd August 1950. Early action may be taken to have it renewed as prescribed in Article 282 of Madras Financial Code, Volume I.

(iv) No security has been recovered from the clerk in charge of cocoon stores. It is explained that the Manager (Technical) holds charge of the stores. As however, Mr. Dasaratharaman is actually placed in immediate charge of the stores, it is necessary that security deposit is recovered from him as per the Code Rule cited above. This may now be done.

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VI. *Balance of stores on hand.*—A sum of Rs. 22,689-6-0 has been shown in the Balance Sheet as the value of stores (other than cocoons) on hand on 31st March 1951. This sum is worked out by adding the receipts and deducting the issues to the last year's closing balance. The stores registers have been maintained with values but the balances as per the stores registers have not been extracted at any time and the total reconciled with the figures in the Balance Sheet. An abstract may be prepared in future showing the opening balance, receipts, issues and closing balance in the stores registers. The closing balance as on 31st March 1951 may be worked out from the stores registers and the same reconciled with the figures shown in the Balance Sheet.

The omission recurred though the same was pointed out in paragraph 11 of Audit Note of the previous year and action was promised to be taken in this regard.

Section III.

I. Pro forma accounts.—The accounts of the Filatures for the year ended 31st March 1951 have been audited and the following accounts and statements are appended:—

(i) Balance Sheet as on 31st March 1951.

(ii) Manufacturing Account of silk for the year ended 31st March 1951.

(iii) Trading Account of silk for the year ended 31st March 1951.

(iv) Combined Manufacturing and Trading Account of the Weaving section for the year ended 31st March 1951.

(v) Combined Profit and Loss Account (Silk and Fabrics) for the year ended 31st March 1951.

(vi) Statement showing the monthly consumption of cocoons, wages paid and yield of silk (Statement I).

(vii) Interest calculation sheet (Statement II).

(viii) Statement of land, buildings, plant and machinery, etc. (Statement III).

II. Manufacturing Account—(1) *Cost of production.*—The total cost of production of silk during the year 1950-51 worked out to Rs. 42-14-5 per lb. as against Rs. 52-2-0 per lb. during 1949-50—vide details given below:—

Production	1950-51. 22,726 lb.		1949-50. 9,690 lb.	
	Total charges. (1)	Cost per lb. (2)	Total charges. (3)	Cost per lb. (4)
	RS.	RS. A. P.	RS.	RS. A. P.
1 Raw material	7,90,617	34 12 8	3,50,903	36 3 5
2 Direct wages	1,02,934	4 8 6	44,580	4 9 7
Prime cost	8,93,551	39 5 2	3,95,483	40 12 6
3 Factory overheads	76,748	3 6 0	82,551	5 8 4
	9,70,299	42 11 2	4,78,034	49 5 4
Less sale of dead pupas, duppion and silk waste.	50,768	2 3 9	35,253	3 10 3
Cost of production	9,19,531	40 7 5	4,42,781	45 11 1
4 General overheads	55,220	2 7 0	62,326	6 6 11
Total cost	9,74,751	42 14 5	5,05,107	52 2 0*

*The figure arrived at during last year is Rs. 50-12-7 as the miscellaneous recoveries credited in the profit and loss were also taken into account. These recoveries have been excluded in the current report for the purpose of working out production cost.

The decrease in the cost of production is mainly due to increase in production and decrease in factory and general overheads during the year. During the year 1950–51, the factory was not open to production for a period of 3 months and 23 days as against 6 months and 15 days in the preceding year. A general reduction of establishment of 33-1/3 per cent was given effect to from 1st August 1950 but this cut was partially restored when production increased.

(2) *Raw materials—Cocoons.*—(*a*) The purchase cost of cocoons, the only raw material of the business, during the two years (1949-50 and 1950–51) is compared in the statement given below :—

	1950–51.	1949–50.
	LB. OZ.	LB. OZ.
Total quantity purchased	407,922 6	217,200 12
	RS. A. P.	RS. A. P.
Total cost	7,52,040 7 10	3,23,246 2 1
Cost per lb.	1 13 6	1 7 10

The average cost of cocoons worked out to Rs. 1–13–6 per lb. during 1950–51 as against Rs. 1–7–10 in the preceding year. This exceeded the price of Re. 1–4–0 per lb. fixed by the Tariff Board, as a fair price. The increase in cost of cocoons was more than counter-balanced by the better quality of cocoons purchased during the year as shown in sub-paragraph (*b*) below.

(*b*) The quantities of cocoons consumed, good silk obtained and the renditta (i. e., the weight of cocoons per pound of silk) during the years 1950–51 and 1949–50 are given below.—

Year.	Cocoons consumed.	Silk obtained.	Renditta.
(1)	(2)	(3)	(4)
	LB.	LB.	
1950–51	4,07,922	22,726	17·95
1949–50	2,04,066	9,690	21·1

The lower renditta during the year under report as compared with that for 1949–50 is due to the comparatively superior quality of cocoons purchased during the year. The percentage of double cocoons (inferior variety) to the total quantity purchased during the year worked out to 3·5 against 6·05 in the preceding year.

(3) *Valuation of by-products and allocation of overheads.*—The total quantity of duppion and silk waste which are by-products have been valued at the average selling rates with reference to the orders contained in paragraph 3 of G.O. Ms. No. 5334, Development, dated 29th December 1950. The pay and allowances of officers and staff have been allocated between factory overheads and general overheads in the ratio of 2 : 1. The pay and allowances of Market Officers stationed at Kollegal, Hanur, Kamakarai, Chilukuvadi and Seed Cocoon Purchasing Assistant at Talavadi are now met by the Sericultural section. A portion of their pay and allowances is correctly chargeable to the accounts of the Filatures (in proportion to the services rendered by them to the Filatures). Action may be taken to give effect to the correct procedure in future.

III. Trading account.—(*a*) The Trading account for the year under review shows a gross profit of Rs. 81,940 as against Rs. 1,40,435 during 1949–50. The decrease is due to the fact that, while the heavy closing stock

of 1948–49 was disposed of during 1949–50 at favourable rates, the margin of profit for the sales in respect of yarn produced during 1950–51 was comparatively less. The sales of silk during the year 1950–51 amounted to Rs. 9,69,555 as against Rs. 10,23,498 during the year 1949–50.

(*b*) *Closing stock.*—*Rs.* 1,55,233 13-9.—The items of closing stock have been valued at the cost of production as it is lower than the selling rates prevailing at the close of the year.

(*c*) *Value of silk to be written off—Rs.* 6,218-6-6.—The amount represents the value of stock found deficient during stock verification in 1947–48. Out of Rs. 6,616 9-9 representing the value of stock found deficient, a sum of Rs. 398–3–3 was written off during 1950–51.

IV. Combined manufacturing and trading account of weaving section.—(*a*) The Weaving section continues to work on an experimental basis as a temporary measure and the question of retaining this permanently and to introduce the working of the same on power-looms is stated to be still under the consideration of Government. The working of the section has resulted in a profit of Rs. 1,741 during 1950–51 as against Rs. 1,969 during the preceding year. The decrease is due to lower selling rates of silk consequent on the adoption of reduced rates of Rs. 6 and Rs. 2–4–0 per lb. for organizine and tram, respectively, with reference to G.O. Ms. No. 5334, Development, dated 29th December 1950, as against Rs. 9 and Rs. 7–4–0 adopted during the preceding year.

(*b*) Silk issued to the Weaving department has been priced at the prevailing selling rates at the time of issue and not on the actual cost of production. The rates at which issues of silk from stock to the Weaving section are to be made will have to be fixed with reference to the actual cost of production of silk as already suggested in paragraph IV of the report for 1948–49.

The selling prices of fabrics from the Weaving section are so fixed as to allow a flat margin of 8 annas per yard to cover incidental expenses and a small margin of profit. With reference to paragraph IV (*b*) (iv) of the report for 1949–50, it was suggested to Government by the Director of Industries and Commerce in his letter No. 6352/D1/50, dated 20th March 1951 that an addition of 6¼ per cent might be made to the cost of fabrics to cover incidental charges and profit. Orders of Government are awaited in this regard.

(*c*) *Overheads.*—Pay and allowances of foreman (approximately Rs. 800 per annum) who is solely engaged in the Weaving section are now charged to the Silk section, but the above sum is correctly chargeable to the Manufacturing and Trading account of Weaving section. This was already suggested in paragraph IV (*c*) of the previous report and is promised to be followed from 1951–52 [vide the Director's letter to Government cited in sub paragraph (*b*) above].

V. Combined Profit and Loss account of silk and silk fabrics—(*a*) *Depreciation—Rs.* 4,523.—The Director of Industries and Commerce addressed Government in his letter No. 1487/F-4/50, dated 30th July 1951, for orders regarding the adoption of uniform rates of depreciation in all Government commercial concerns under his control. Pending final orders of Government fixing the percentage and the method of depreciation to be adopted, the same percentages as were adopted during the previous years have been adopted during this year also by the diminishing balance method.

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(*b*) *Books and periodicals—Rs.* 133-2-0.—This represents the cost of books and periodicals purchased during the period. No inventory of the books and periodicals has yet been opened. This may be expedited.

(*c*) *Leave and pensionary contribution—Rs.* 3,069.—The leave and pensionary contribution has been worked out in accordance with the orders of Government contained in paragraph 2 of G.O. Ms. No. 2013, Development, dated 2nd May 1951.

(*d*) *Interest on capital—Rs.* 13,579-9-0.—Details of working will be found in Statement II. Int rest in respect of capital invested during 1950-51 should be calculated at 4·25 per cent with reference to G O. No. 578 Finance, dated 15th May 1951, instead of at 4 per cent. Necessary adjustments may be made in the accounts for the next year.

(*e*) *Rent—Rs.* 5,992-14-0.—This includes a sum of Rs. 1,977-8-0 being the rent realized in 1950-51 in respect of Kollegal Silk Filature buildings taken over by Government Silk Filatures and let out to the Sericultural section.

VI. Balance sheet—(*a*) *Land, buildings, plant and machinery, etc.—Rs.* 5,12,745-8-10.—(i) The amount of Rs. 13,565-10-0 shown as additions during the year represents the cost of station wagon purchased during the year.

(ii) As the rate of depreciation for each class of asset is different, the value of each class of asset (land, buildings, etc.) and the additions thereto as also depreciation written off in respect of each should be shown separately in the Balance sheet as in the case of other commercial concerns. The depreciation written off to the end of previous year and that provided for the year should be shown separately in the Balance sheet.

(*b*) *Sundry debtors—Rs.* 9,735-10-1.—Out of this amount, a sum of Rs. 652-11-0 represents the cost of fabrics, etc., supplied on credit during 1950-51 for which cost has yet to be recovered. Credit sales have been effected even during the year under report, without the sanction of Government, notwithstanding the fact that this was pointed out in paragraph VI (*b*) of the previous year's report. Early action may be taken to have the credit sales regularized and to effect recovery of the amount.

(*c*) *Amount due from the Central Silk Board—Rs.* 1,222-13-4.—The amount represents expenditure during 1950-51 incurred towards transport and erection of Japanese silk reeling machinery on behalf of the Central Silk Board, New Delhi, recoverable from them. The recovery is awaited.

(*d*) *Demurrage charges—Rs.* 203.—A sum of Rs. 203 was incurred in March 1951 as demurrage charges on Atwood silk twisting machinery imported from abroad. The matter is under correspondence with the Traffic Manager, Southern Railways, Mysore, who was addressed for refund of the amount. The result of the correspondence may be intimated.

(*e*) *Profit and loss reserve account—Rs.* 5,72,963-13-10.—A profit and loss reserve account created as required in G.O. Ms. No. 799, Development, dated 23rd February 1950, as amended in G.O. Ms. No. 1627, Development, dated 21st April 1950, shows a balance of Rs. 5,72,963-13-10 after inclusion of the profit for the year under review.

VII. Comparison of actuals with the budgeted figures.—A comparative statement showing the budgeted figures and the actuals under the following heads for 1950-51 is given as Annexure II :—

(i) Profit or loss.

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(ii) Cost of service, purchase price of materials, other production factors, etc.

(iii) Volume of production.

(iv) Volume of sales.

The variations (under each head) are also explained therein.

VIII. Financial review—(a) General.—The Government Silk Filatures, Kollegal, was acquired by the Government of Madras from the Government of India on 1st September 1945. It was run as a State Trading scheme till 1st October 1948 since when it has been treated as a regular commercial concern. Except during the years 1947–48 and 1948–49 when the concern sustained a loss owing to the fall of price of silk due to Japanese imports the concern has been earning profit throughout. During the current year, the working of the Filatures resulted in a net profit of Rs. 46,911. Taking this into account, the total net profit earned by the concern to date is Rs. 5,72,964.

(*b*) *Accumulation of stock.*—During the period under audit, the entire output of silk was disposed of at favourable rates leaving only a small balance 3,200 lb. manufactured towards the close of the year. It was, however, seen that on the date of audit the stock had accumulated to 21,300 lb. as shown below :—

Period. (1)	Opening stock. (2)		Production. (3)		Total. (4)	
	LB.	OZ.	LB.	OZ.	LB.	OZ.
April 1951	3,200	13	2,751	15½	5,952	12½
May 1951	5,720	13½	4,648	12½	10,379	9½
June 1951	10,383	10½	4,432	15	14,766	9½
July 1951	14,746	12½	4,026	6½	18,772	2½
August, up to 20th	18,715	5½	2,584	12½	21,300	2

Difference between column (4) in one month and column (2) in the succeeding months represents issues to the Weaving section.

It was explained that the market rates of silk are on the downward trend due to the sale of imported foreign silk at far cheaper rates and that to guard against losses, the stocks of the filatures are held back from sale. This would indicate the necessity to watch carefully the trend of market and issue orders for quick disposal of the goods at the most opportune moments to prevent acumulation of stock and possible deterioration in quality.

(*c*) *Disposal of surplus plant and machinery.*—It is seen that out of 384 basins purchased in 1945, 64 basins have been dismantled to make provision for the installation of a new twisting machinery. Early action has to be taken to dispose of the dismantled basins to the best advantage of Government as they are no longer required in the Filatures. In view of the fact that the possibilities of utilizing the plant and machinery of Kollegal Silk Filature which contains 150 basins appear to be far remote, the question of their disposal may be taken up early. If the plant and machinery are to be disposed of, there will be a decrease in the amounts of depreciation and interest charges on capital of about Rs. 1,05,460 resulting in the reduction of present overheads. This was already mentioned in paragraph V of the report for 1948–49 and paragraph IV of the report for 1949–50.

(*d*) The Atwood silk twisting machinery to the value of Rs. 3,15,500 capable of producing 50 lb. of organzine silk per day has been imported from abroad in March 1951 and its installation is awaited. This will go a long way in meeting the demand for thrown silk for the handloom silk weaving industry and improving further the financial position of the Filatures.

(e) The question of systematization of imports of foreign raw silk by restricting the grant of licences is under the active consideration of the Central Silk Board. The final outcome of the proposals will be watched with interest as the decision has an important bearing on the future of the silk industry.

IX. Subject to the foregoing remarks, I certify that I have obtained all the information and explanations that I have required and that the balance sheet signed by me as relative thereto exhibits a true and correct view of the state of affairs of the Government Silk Filatures, Kollegal, as on 31st March 1951.

R. SUBRAHMANIAM,
Assistant Examiner (Outside Audits)

ANNEXURE I.

[*Vide* Section II—Paragraph III of the report.]

Self-cheques drawn.

Date.	Amount. Rs.	Date.	Amount. Rs.
1950—		1950—	
30th October	50,000	27th November	50,000
4th November	50,000	30th November	50,000
10th November	50,000	7th December	50,000
13th November	50,000	11th December	50,000
22nd November	50,000		

Cash balances exclusive of advances pending with subordinate officers lying in the chest.

Date.	Amount. Rs.	A.	P.	Date.	Amount. Rs.	A.	P.
1950—				1950—			
30th October	45,698	6	4	27th November	46,346	0	1
31st October	40,771	5	10	28th November	30,352	6	4
1st November	27,785	10	10	29th November	20,379	7	7
2nd November	18,632	9	4	30th November	64,542	8	7
3rd November	18,055	11	4	1st December	46,283	2	1
4th November	56,884	11	1	2nd December	45,469	0	7
5th November	49,152	7	8	3rd December	30,469	0	7
6th November	43,028	15	7	4th December	30,579	3	7
7th November	23,561	15	1	5th December	28,834	1	7
8th November	23,125	10	1	6th December	18,992	12	10
9th November	18,169	7	10	7th December	48,599	0	7
10th November	48,629	0	10	8th December	43,604	2	10
11th November	36 891	2	10	9th December	28,493	9	10
12th November	17,053	0	10	10th December	28,493	9	10
13th November	66,377	11	10	11th December	27,592	2	4
14th November	66,377	11	10	12th December	23,862	3	1
15th November	50,255	11	7	13th December	18,466	0	1
16th November	47,021	5	7	14th December	7,935	11	1
17th November	46,349	7	7	15th December	59,667	7	1
18th November	41,149	1	7	16th December	50,464	15	1
19th November	41,149	1	7	17th December	45,601	14	1
20th November	41,909	15	4	18th December	40,790	2	1
21st November	35,713	12	4	19th December	38,885	14	7
22nd November	65,334	8	4	20th December			
23rd November	56,123	11	4	21st December	34,873	0	10
24th November	34,524	7	4	22nd December	25,893	9	10
25th November	17,044	10	10	23rd December	20,375	0	10
26th November	3,044	10	10	24th December	20,375	0	10

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Annexure II—(*Vide* Paragraph VII in Section III).

Comparison of estimated figures exhibited in the Production and Sales Budget with the actuals for 1950-51.

	Estimate for the year. (1)	Actuals. (2)	Reasons for the variation. (3)
	Rs.	Rs.	
I. Silk—			
1. Net profit	1,54,848	45,172	The decrease in profit as compared with the estimate is mainly due to (i) reduced production for the reasons stated against item (3) below and (ii) the idle expenditure of Rs. 41,436 incurred during the period of closure of the factory for three months and twenty-three days.
2. Cost of service (purchase price of materials, other production factors, etc.) ..	17,99,452	9,74,751	The decrease is not proportionate to the decrease in production due to (i) increase in the purchase price of raw materials, i.e., cocoons, the average cost of which worked out to Rs. 1-13-6 per lb. as against the estimated rate of Re. 1-6-0 per lb. and (ii) the actuals under direction charges and interest on capital exceeded the budget provision as shown below:—

	Estimate. (1)	Actuals. (2)	Difference. (3)
	Rs.	Rs.	Rs.
Direction	6,000	9,026	4,026
Interest on capital	(—) 6,200	13,580	18,780
Total ..	..	..	22,806

and (iii) the idle expenditure incurred during the period of closure.

	lb.	lb.	
1. Volume of production	62,000	32,726	The factory was not open to production for three months and twenty-three days during the year and the actual number of basins worked was 36,614 as against an estimated number of 67,200. This was mainly due to inadequate supply of cocoons on account of adverse seasonal conditions (such as failure of rains).

ANNEXURE II—cont.

Comparison of estimated figures exhibited in the Production and Sales Budget with the actuals for 1958-59—cont.

	Estimate for the year. (1)		Actuals. (2)		Reasons for the variation. (3)
	Estimate.		Actuals.		
	Quantity. Lb.	Value. Rs.	Quantity. Lb.	Value. Rs.	
4. Volume of sale					
Silk	50,000	17,50,000	30,186	8,96,304	The reduction in sales (quantity) is due to reduced production during the year. The products were sold at more than the estimated rates during the year.
Duppion	5,500	55,000	2,549	53,567	
Silk waste	35,000	70,000	9,033	30,059	
	..	18,75,000	..	9,79,930	
B. Silk fabrics—					
	Rs.		Rs.		
1. Net profit	4,106		1,741		The decrease is due to reduced production during the year.
2. Total cost of service	63,626		20,572		The cost per yard worked out to Rs. 12-6-0 as against the estimated rate of Rs. 9-11-3. This is mainly due to reduction in the quantum of production by each labourer as stated in item 3 below.
	Yds.		Yds.		
3. Volume of production	6,913		2,151		The fall in the production of silk cloth is mainly due to the fact that all the looms were engaged in the manufacture of crepe, 3 shuttle weaving and lace border sarees to meet the demand as against the plain ones estimated to be produced. Each loom can produce only ¾ yard (to 2 yards) of the sarees of the above type as against 3 yards of a plain fabric per day.
	Quantity. Yds.	Value. Rs.	Quantity. Yds.	Value. Rs.	
4. Sales	6,500	61,752	4,066	40,037	The reduction in sales is due to reduced production during the year The products were sold at slightly more than the estimated rates.

GOVERNMENT SILK FILATURES, KOLLEGAL.

BALANCE SHEET AS ON 31ST MARCH 1951.

Capital and liabilities.	Rs.	A.	P.	Rs.	A.	P.
Capital as per Balance Sheet on 1st April 1950.	1,04,457	5	8			
Add—Leave and pension contribution up to 31st March 1950.	30,369	2	8			
Interest up to 31st March 1950.	2,13,227	15	0			
Audit fee up to 31st March 1950.	5,381	5	0			
				3,53,429	12	6
Add—Cheques drawn	11,61,799	4	0			
General Provident Fund deductions.	1,968	6	0			
Income-tax and surcharge ..	48	14	0			
Debit adjustment by Accountant-General.	6,826	14	0			
Leave and pension contribution for 1950–51.	3,000	0	0			
Interest for 1950–51	13,579	9	0			
Audit fees for 1950–51 ..	950	0	0			
Secretariat charges	925	0	0			
Direction charges	9,036	0	0			
				11,99,132	15	9
				15,52,562	12	1

Property and assets.	Rs.	A.	P.	Rs.	A.	P.
Land, buildings, plant and machinery.	6,38,971	12	6			
Add—Additions	13,565	10	0			
Total ..	5,52,437	5	5			
Deduct—Depreciation and disposals.	39,691	12	7			
				5,12,745	8	10
Finished products—						
Silk lb. 3,290–13	1,22,296	2	6			
Duppion silk lb. 257–12½	4,218	6	3			
Silk waste lb. 6,750–3	18,723	5	0			
				1,55,232	13	9
Fabrics				25,797	5	9
Loss of silk to be written off ..				6,218	6	6
Raw materials—						
Good cocoons lb. 1,14,804–8 ..	1,97,685	7	9			
Rat-eaten cocoons	1,369	5	12			
Gold and silver lace	353	13	0			
				1,99,408	10	9
Other stores—						
Fuel						
Coal	2,594	11	0			
Miscellaneous stores	426	3	6			
Petrol	18,356	11	9			
Dye stuff	318	8	0			
	493	3	9			
				22,689	6	0
Service postage				99	8	9
Sundry debtors				9,735	10	1
Due from Central Silk Board ..				1,322	13	4
Demurrage charges (suspense) ..				203	0	0

Balance Sheet as on 31st March 1951—*contd.*

Capital and liabilities.						Property and assets.					
Deduct—						**Stock in process—**					
	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.
Remittances into treasury	12,12,829	8	0			Silk	5,022	1	3			
Sales tax remitted and adjusted	— 15,907	0	9			Gold lace	651	4	6			
	11,96,922	7	3							5,673	5	9
Credit adjustment	18,887	12	10			Objection book advance repayable				24	0	0
Payments on behalf of Sericultural section.	2,186	6	6			Security deposit as per contra				600	0	0
General Provident Fund withdrawal	619	0	0			Closing cash balance				4,929	6	3
				12,18,595	10							
Closing capital				3,33,017	7	0						
Liabilities—												
Outstanding liability				33,400	6	7						
Sundry debtors—credit balance ..				1,720	14	0						
Sales tax payable				2,997	12	6						
Security deposits				600	0	0						
Profit and Loss Reserve Account—												
Profit to end of 1949-50	5,28,052	2	10									
Add Profit for 1950-51	46,911	12	0									
				5,72,963	14	10						
				9,44,589	15	3				9,44,589	15	3

Manufacturing Account for the year ended 31st March 1951.

Dr.

Particulars.	Amount. Rs. A. P.	Amount. Rs. A. P.
To Raw materials consumed—		
Cost of cocoons 407,922 lb. 6 oz.	7,52,040 7 10	
Add—Conveyance charges	15,588 4 3	
Other incidental charges ..	1,773 3 3	
		7,69,401 15 4
„ Cost of fuel consumed	5,350 1 9	
Add—Conveyance charges	7,794 2 2	
		13,144 3 11
To Cost of electric power consumed ..	..	5,031 15 0
„ Coal consumed		648 8 6
„ Cost of general stores consumed including freight, etc.	..	2,390 12 3
„ Wages and dearness allowance of labourers.	..	1,02,934 5 9
„ Pay and dearness allowance of factory staff.	..	27,062 10 0
„ Do. Officers 2/3 ..	..	2,257 8 0
„ Do. Office staff 2/3	..	5,568 11 0
„ Travelling allowance	..	3,095 10 0
„ Maintenance of boiler	..	487 12 6
Do. plant and machinery.	..	1,615 10 5
Do. buildings. ..	..	490 8 7
Do. Cart	..	1 2 0
„ Depreciation of factory buildings, plant, etc.	..	32,194 15 3
„ Other miscellaneous expenses (taxes, etc.)	1,784 2 3 2,179 3 0	
		3,963 5 3
		9,70,298 9 9

Cr.

Particulars.	Amount. Rs. A. P.
By sale of dead pupæ	783 6 3
„ Value of transferred to trading account—	
(i) Silk, lb. 22,725-14	9,19,530 15 6
(ii) Duppion silk, lb. 805-11½	12,161 1 3
(iii) Silk waste, lb. 12,103-6	37,823 0 9
	9,69,515 1 6
	9,70,298 9 9

Dr. TRADING ACCOUNT FOR THE YEAR ENDED 31ST MARCH 1951. Cr

(SILK.)

Particulars.	Amount.	Amount.	Particulars.	Amount.	Amount.
	Rs. A. P.	Rs. A. P.		Rs. A. P.	Rs. A. P.
To Opening Stock—			By Sale of—		
Silk, lb. 1,070–5	49,539 10 6	..	Silk, lb. 20,185–10½	8,96,284 0 0	..
Duppion silk, lb. 3,647–15½	42,005 0 6	..	Duppion silk, lb. 3,543–6	83,585 9 3	..
Silk waste, lb. 3,635–9	1,891 3 3	..			9,49,870 9 3
Kilchas	13 7 0	..	„ Silk waste (sales), lb. 9,633–12		30,068 14 0
Throwsters waste	54 0 0	..	„ Silk issued to weaving section, lb. 445–14		19,684 10 6
		93,503 5 3	„ Closing Stock—		
Value of stock to be written off.		6,616 9 9	Silk lb. 3,200–13		1,22,292 2 6
To Production—			Duppion silk, lb. 257–12½		4,218 6 3
Silk, lb. 22,725–14	9,10,530 15 6	..	Silk waste lb. 6,750–3		18,723 5 0
Duppion silk, lb. 805–11½	12,161 1 3	..	„ Value of stock to be written off		6,218 6 6
Silk waste, lb. 12,103–6	27,823 0 9	..			
		9,69,515 1 6			
„ Packing materials	..	1,604 6 9			
„ Petrol	14,385 6 0				
„ Maintenance of motor vehicles including pay of drivers and cleaners.	17,026 3 7				
	31,411 8 7				
Less lorry hire	235 0 0				
	31,176 8 7				
Half to cocoons	15,588 4 3				
Quarter to fuel	7,794 2 2				
„ Quarter to Carriage outwards	..	7,794 2 2			
„ Agents' commission	..	92 7 0			
„ Gross profit	..	31,940 7 7			
		11,61,966 6 9			

COMBINED MANUFACTURING AND TRADING ACCOUNT OF THE WEAVING SECTION FOR THE YEAR ENDED 31ST MARCH 1951.

Dr.

Particulars.	Rs. A. P.	Amount. Rs. A. P.
To Opening Stock—		
Fabrics	..	37,521 5 11
Yarn (silk)	..	2,298 10 6
Gold and silver lace	..	205 9 8
„ Silk obtained from Silk section.	..	19,684 10 6
„ Weaving charges	..	5,060 9 9
„ Gold and silver laces obtained from stores.	..	4,697 10 4
„ Bleaching	..	68 15 11
„ Dyes consumed	..	269 11 0
„ Profit carried over to profit and loss account.	..	1,740 11 11
		71,507 15 6

Particulars.	Rs. A. P.	Amount. Rs. A. P.
By sale of fabrics	..	40,037 4 9
„ Closing stock of silk fabrics manufactured.	25,635 15 8	
„ Gudiyattam	161 6 6	
		25,797 5 9
„ Silk in Weaving section and on looms.		5,022 1 8
„ Gold lace in Weaving section and on looms.		651 4 6
		71,507 15 6

NO. 3414, DEVELOPMENT, 7TH AUGUST 1952.

Combined Profit and Loss Account for the year ended 31st March 1951

Silk and Silk Fabrics.

Dr.

Particulars	Amount. Rs. A. P.
To Pay and allowances of officers 1/3	1,128 12 0
,, Pay and allowances of office establishment 1/3	2,784 5 0
,, Medical aid	1,472 9 4
,, Postage	1,121 8 6
,, Stationery and forms	682 7 2
,, Office contingencies	99 5 3
,, Property-tax (other than factory buildings)	950 14 0
,, Books and periodicals	133 2 0
,, Advertisement	1,225 0 0
,, Exhibition expenses	893 11 9
,, Repairs to cycles	54 9 9
,, Depreciation other than factory	4,523 0 0
,, Leave and pensionary contribution	3,069 0 0
,, Direction charges	9,026 0 0
,, Interest on capital	13,579 9 0
,, Audit fees	950 0 0
,, Secretariat staff fee	925 0 0
,, Electric consumption charges	559 1 0
,, Maintenance of electrical installation	1,164 4 8
,, Maintenance of creche	311 2 2
,, Write-off-rat of eaten cocoons	234 5 1
,, Maintenance of livestock	266 4 2
,, Do. tools	55 5 11
,, Net profit	46,911 11 6
Total	92,641 0 9

Particulars.	Amount. Rs. A. P.
By Profit from Trading account	81,940 7 7
,, Do. Weaving section	1,740 11 11
,, Rent	5,992 14 0
,, Sale of fuel chips	22 10 0
,, Other receipts	2,738 14 9
,, Trailer pump hire charges	179 7 0
,, Forwarding charges collected	20 3 6
,, V.P. charges collected	5 12 0
Total	92,641 0 9

Statement I.

Statement showing monthly consumption of cocoons, wages paid and yield of silk and silk waste during the year 1950–51.

Month	Cocoons consumed good/double.	Wages paid.	Percentage of wages to cocoons consumed.	Silk produced.	Lappets silk produced.	Silk waste produced.	Percentage of silk produced to cocoons consumed.	Percentage of silk waste to cocoons consumed.	Percentage of silk produced and waste to cocoons consumed.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	lb. oz.	Rs. A. P.		Lb. oz.	Lb. oz.	Lb. oz.			
April 1950	..	767 5 0	..	6 13½	..	..	..	..	..
May 1950	..	851 2 0	..	9 6	..	..	..	..	..
June 1950	630 0	603 9 0	95·87	18 12½	0 11½	12 8	2·93	..	1·93
July 1950	7,709 8	3,067 1 0	38·91	824 10½	10 0	229 0	6·90	5·61	2·91
	172 0								
August 1950	29,813 0	10,270 10 0	32·47	1,828 11½	118 15½	913 12	6·14	7·54	3·62
	1,512 0								
September 1950	44,863 4	10,555 3 0	22·50	2,352 3	92 15	1,116 12	5·24	4·66	2·87
	2,038 10								
October 1950	42,491 8	10,515 0 0	23·51	2,669 2½	101 8	1,389 0	6·28	6·57	3·09
	2,220 4								
November 1950	54,881 12	13,234 1 0	23·23	3,375 1½	96 7½	1,841 8	6·15	6·69	3·41
	1,958 0								
December 1950	60,221 8	14,812 1 0	23·66	3,576 5½	93 12½	1,802 0	5·96	4·16	2·88
	2,373 0								
January 1951	54,113 12	13,749 14 0	25·01	2,940 12½	72 4½	1,604 6	5·43	3·41	2·92
	859 0								
February 1951	46,969 8	11,546 2 0	23·91	2,568 12	82 13½	1,321 0	5·47	6·31	2·74
	1,311 4								
March 1951	51,698 4	13,390 4 0	24·88	2,855 3½	136 2½	1,624 11	5·50	7·35	2·05
	1,876 4								
Total ..	393,602 0	1,03,852 5 0		22,725 14	866 11½	11,947 12*			
	14,320 0								

* Excludes 155 lb. 10 oz. being excess found in stock verification.

STATEMENT II.

Calculation of interest for 1950–51.

	Rs.	A.	P.	Rs.	A.	P.
Opening Capital				3,53,429	12	4
Cheques drawn	11,61,799	4	0			
General Provident Fund Deductions	1,958	6	0			
Sales tax and general charges	46	14	0			
Debit adjustments	6,823	14	9			
Leave salary contribution	3,000	0	0			
Audit fees	950	0	0			
Secretariat staff charges	825	0	0			
Direction charges	3,098	0	0			
Opening cash balance	11,040	7	4			
				11,85,643	14	1
				15,49,073	10	5
Deduct—						
Remittance	12,12,829	0	0			
Less sales tax	15,907	0	0			
	11,96,922	7	8			
Credit adjustment	13,887	12	10			
Payment on behalf of Sericultural section ..	2,166	8	0			
General Provident Fund withdrawal	619	0	0			
Closing cash balance	4,928	8	3			
				12,23,524	0	4
Closing capital without interest				3,25,549	10	1
Interest on Rs. 3,53,429–12–4 at 4 per cent ..				14,137	3	0
Interest on mean capital— Rs. 3,25,549–10–1 *minus* 3,53,429–12–4 / 2 or						
— Rs. 13,939–1–2 at 4 per cent				— 557	10	9
				13,579	9	0

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Statement III.

Statement of land, buildings, plant and machinery, etc.

Particulars	Value of assets as on 31st March 1950.	Additions.	Disposals.	Net total.	Depreciation for 1950-51.	Depreciated value of assets as on 31st March 1951.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1 Land	9,171 1 7	..	..	9,171 1 7	..	9,171 1 7
2 Main building	38,091 11 1	..	..	38,091 11 1	2,857 0 0	35,234 11 1
3 Cocoon storage	31,196 13 5	..	..	31,196 13 5	2,340 0 0	28,856 13 5
4 Silk examining and packing room	4,592 1 6	..	..	4,592 1 6	344 0 0	4,248 1 6
5 Manager's quarters	5,716 8 9	..	..	5,716 8 9	143 0 0	5,573 8 9
6 Masonry drains	2,142 2 9	..	..	2,142 2 9	161 0 0	1,981 2 9
7 General stores and workshops	1,474 12 7	..	..	1,474 12 7	111 0 0	1,363 12 7
8 Boiler room	1,797 4 0	..	..	1,797 4 0	135 0 0	1,662 4 0
9 Office building	27,686 9 3	..	..	27,686 9 3	2,076 0 0	25,610 9 3
10 Chowkidars' quarters	1,169 6 2	..	..	1,169 6 2	88 0 0	1,081 6 2
11 Latrines and urinals for work people	1,854 15 1	..	..	1,854 15 1	139 0 0	1,715 15 1
12 Roads and culverts	1,608 12 6	..	..	1,608 12 6	121 0 0	1,487 12 6
13 Compound wall and gate	1,174 15 9	..	..	1,174 15 9	88 0 0	1,086 15 9
14 Double garage	710 1 1	..	..	710 1 1	53 0 0	657 1 1
15 Quarters for Technical Expert	6,172 3 6	..	..	6,172 3 6	154 0 0	6,018 3 6
16 Lunch sheds	3,284 13 5	..	..	3,284 13 5	254 0 0	3,130 13 5
17 Service reservoir	1,297 4 4	..	..	1,297 4 4	97 0 0	1,200 4 4
18 Servants' quarters	650 3 2	..	..	650 3 2	49 0 0	601 3 2
19 Latrines for staff	558 7 0	..	..	558 7 0	42 0 0	516 7 0
20 Saraswathi Bai Labour Colony	27,076 11 10	..	..	27,076 11 10	677 0 0	26,399 11 10
21 Reeling basins and machinery	93,195 0 6	..	..	93,195 0 6	11,173 0 0	81,932 0 6
22 Tools and equipment	27,439 14 4	..	..	27,439 14 4	3,296 0 0	24,146 14 4
23 Boilers	24,227 11 7	..	..	24,227 11 7	2,423 0 0	21,804 11 7
24 Station wagon	364 9 1	13,565 10 0	364 9 1	13,565 10 0	..	13,565 10 0
25 Steam and water pipe connexions	20,648 10 10	..	..	20,648 10 10	2,478 0 0	18,170 10 10
26 Stifling chamber	258 15 0	..	..	258 15 0	19 0 0	239 15 0
27 Furniture in Technical Expert's quarters	389 7 5	..	..	389 7 5	23 0 0	366 7 5
28 Water-supply and sinking of bore-well	3,956 13 7	..	..	3,956 13 7	237 0 0	3,719 13 7
29 Furniture in Manager's quarters	406 4 7	..	..	406 4 7	24 0 0	382 4 7
30 Ford trucks	773 1 4	..	..	773 1 4	193 0 0	580 1 4
31 Seehoin	8,979 10 9	..	..	8,979 10 9	1,078 0 0	7,901 10 9
32 Bullock	346 15 3	..	..	346 15 3	196 15 3	150 0 0
33 Furniture in Kollegal Silk Filature	2,728 6 3	..	..	2,728 6 3	164 0 0	2,564 6 3
34 Cart	315 14 2	..	..	315 14 2	38 0 0	277 14 2

STATEMENT III—*contd.*

Statement of land, buildings, plant and machinery, etc.—*contd.*

Particulars	Value of assets as on 31st March 1950.	Additions.	Disposals.	Net total	Depreciation for 1950–51.	Depreciated value of assets as on 31st March 1951.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
35 Ragle sets	87 3 6	..	..	87 3 6	11 0 0	76 3 6
36 Seriplane and board	929 2 6	..	..	929 2 6	111 0 0	818 2 6
37 Denier scale	24 3 9	..	..	24 3 9	3 0 0	21 3 9
38 Sorimeter	129 1 3	..	..	129 1 3	15 0 0	114 1 3
39 Denier testing machine	142 14 9	..	..	142 14 9	17 0 0	125 14 9
40 Silk throwing plant	10,904 8 7	..	..	1,904 8 7	133 0 0	1,771 8 7
41 Traiter pump	2,609 4 3	..	2,609 4 3	..	..	..
42 Electrification	15,583 12 0	..	..	15,583 12 0	1,558 0 0	14,025 12 0
43 Establishment charges	2,855 11 0	..	..	2,855 11 0	..	2,855 11 0
44 Handloom, first set	436 5 10	..	..	436 5 10	25 0 0	410 5 10
45 Handloom, second set	797 7 6	..	..	797 7 6	48 0 0	749 7 6
46 Scientific instruments	252 15 9	..	..	252 15 9	30 0 0	222 15 9
47 Books and periodicals	88 0 3	..	..	88 0 3	..	88 0 3
48 Silk waste godown	26,017 0 0	..	..	26,017 0 0	1,951 0 0	24,066 0 0
49 Atwood silk twisting machinery	1,13,460 0 0	..	..	1,13,460 0 0	..	1,13,460 0 0
50 Bangalore silk twisting machinery ..	22,085 6 0	..	..	22,085 6 0	1,546 0 0	20,539 6 0
Total ..	5,38,871 11 5	13,565 10 0	2,973 13 4	5,49,463 8 1	36,717 15 3	5,12,745 8 10

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III

G.O. Ms. No. 690, Development, dated 25th February 1952.

IV

No. O.A. 31-24/51-52/407/408/409, *dated 9th November* 1951.

Copy together with a copy of the accounts and report forwarded to the Secretary to the Government of Madras, Finance Department, Fort St. George, Madras, for information.

Copy together with a copy of the accounts and report forwarded to the Director of Industries and Commerce, Madras, with the request that his remarks on the report may be forwarded to Government direct.

Copy together with a copy of the accounts and report forwarded to the Sericultural Expert, Government Silk Filatures, Kollgal. Audit Note (in duplicate) is also sent herewith for reply and retransmission through the Director of Industries and Commerce, Madras.

Letter from the Director of Industries and Commerce, Madras, to the Secretary to Government, Development Department, dated 4th March 1952. No. 2439/D1/51.

[Industries—Sericulture—Government Silk Filatures, Kollegal—Audit report and accounts for the year, 1950-51. *Reference.*—Government Development Memo. No. 135177-M-I/51-1, dated 19th December 1951.]

I furnish the following remarks on the several points raised in the audit report on the accounts of Government Silk Filature, Kollegal, for the year 1950-51:—

Paragraphs I and II.—No remarks.

Section I (a) (2)—Introduction of cost accounting—Paragraph III.—Inasmuch as the post of Cost Accountant sanctioned in G.O. No. 2867, Development, dated 21st June 1951, i.e., during the year 1951-52 was filled up only on 27th October 1951 the Cost Accounting system could not be introduced during the year. The Sericultural Expert has been instructed to introduce the system from 1st April 1952.

Section I (b)—Bleaching losses.—Revised percentages up to which losses during bleaching of silk can be allowed were recommended to Government in this office letter No. 6362-D1/50, dated 20th September 1951, and final orders of Government are awaited.

Section A—Paragraph 2—Storing of silk.—The Executive Engineer, Salem division, Mettur Dam, has been asked to prepare an estimate for the construction of a store room for storing silk. On receipt of the estimate, Government will be addressed for necessary sanction.

Section B—Paragraph 3—Buildings.—Government have passed orders in Memo. No. 41290-MI/51-5, Development, dated 18th October 1951, that the value of the buildings transferred to the Public Works Department need not be recovered from the Public Works Department.

Sundry debtors.—Kind reference is invited to paragraph VI of section B in this office letter No. 6362-D/50, dated 20th September 1951, and early orders of Government are requested in the matter.

Section II.—I. Reconciliation.—(*a*) The Cashier Accountant of the Filature was sent to Coimbatore during the third week of December 1951 and the Department figures in respect of 'I. Remittances and II. Cheques' have since been reconciled with those booked at the Huzur Treasury, Coimbatore, for the year 1950–51 and up to November 1951 in 1951–52.

The statements of reconciliation have been forwarded to the Accountant-General by the Sericultural Expert.

(*b*), (*c*) *and* (*d*).—The Sericultural Expert has reported that the correct procedure is being followed with effect from December 1951 accounts as reconciliation has already been carried out up to November 1951 and that reconciliation with other Treasuries also will be carred out with effect from December 1951.

II. *Withdrawal of amounts from Treasury.*— The Sericultural Expert, Government Silk Filature, Kollegal has been instructed to draw separate cheques for pay, allowances, travelling allowances and wages of workmen, etc., in future for the exact amount of the bills as suggested by the Accountant-General.

III. *Accumulation of cash in the cash chest.*—The necessity for keeping large amounts of money in the cash chest was already explained to Government in paragraph VI of section A of this office letter No. 6362 D1/50, dated 20th September 1951 and the orders of Government are awaited.

IV. *Verification of stock.*—The reports received from the stock verifying officer are being examined in consultation with the Sericultural Expert and a final report on the results of the stock verification will be sent to the Accountant General shortly.

V. *Security deposits.*—( ) The security of Rs. 100 taken from the Grainage Assistants is for some of the articles such as "Microscope" etc., entrusted to them for safe custody. The purchase and disbursement of cocoons were hitherto made by the Market Officers themselves; but now that the Sericultural Expert is the head of both the Sericultural and Filature sections, the disbursement work is entrusted to the Grainage Assistants for securing administrative efficiency. The Grainage Assistants are doing this work in addition to their work relating to the Sericultural section. It is considered that if the present system should continue permanently, additional security for the cash of the Filature Section entrusted to them may have to be taken. This aspect will be examined and further report will be submitted.

(ii) The Store Clerk Sri R. Sankaran is not in service now. The security will be obtained from the clerk who is now in charge of stores.

(iii) The Sericultural Expert has been asked to take immediate action to have the fidelity bond renewed if not already done.

(iv) The Sericultural Export is being instructed to collect from the Store Keeper the security deposit as suggested by the Accountant-General.

VI. Balance of stores on hand.—The Sericultural Expert has promised to reconcile the stock of stores as on 31st March 1951 and on receipt of his report, a report will be submitted to Government.

Section III.—I. Proforma Accounts and II. (1) *Cost of production and* (2) *Raw materials.*—No remarks.

(3) *Valuation of bye-products.*—Kind attention of Government is invited to this office letter No. 6362-D1/50, dated 20th September 1951, wherein I

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have explained that it will not be appropriate to debit any portion of the pay of the market organization to the accounts of the Government Silk Filature. Government orders are awaited.

III. (*a*) *and* (*b*)—No remarks.

(*c*).—The balance of Rs. 6,218-6-6 has also been written off by Government vide G.O. No. 1992, Development, dated 1st May 1951.

IV (*a*).—No remarks.

(*b*) Government have issued orders directing that the silk issued to the weaving section should be valued with reference to the cost of production vide Development Memorandum No. 90271-M-I/51-4, dated 30th November 1951. The Sericultural Expert was thereupon asked to report whether it would be possible to give effect to the orders of Government from the beginning of this year (1951-52). He has submitted his remarks and they are under examination. A further report will follow.

(*c*) *Overheads.*—I invite a kind reference to this office letter No. 6362 D1/50, dated 20th March 1951, wherein I have submitted that the question of debiting the pay and allowances of the Foreman in charge of the Handlooms to the trading and manufacturing accounts may be considered after the weaving section is made permanent or the power-loom weaving section is started at the Government Silk Filature, and final orders of Government are awaited.

V (*a*) *Depreciation.*—Government have approved the uniform rates of depreciation in G.O. No. 4391, Development, dated 4th October 1951, and these rates will be adopted from the year 1951-52.

(*b*) *Books and Periodicals.*—An inventory will be opened by the Sericultural Expert as suggested by the Accountant-General, Madras.

(*c*) *Leave and pensionary contribution.*—No remarks.

(*d*) *Interest on capital.*—Sericultural Expert has been asked to note the instructions.

(*e*) *Rent.*—No remarks.

VI Balance sheet.—(*a*) (i),—No remarks.

(ii) In giving effect to the suggestion made by the Accountant-General, the Sericultural Expert states that the figures will have to be worked out from 1st September 1945, the date on which the concern was purchased by the Madras Government for the Government of India and it will take a long time to work out the same. He has, however, promised that the suggestions will be followed and adopted in the Balance Sheet for 1951-52.

(*b*) Credit sales are not allowed at the filatures. A small stock of silk fabrics is kept in the Central Office for sale. As soon as sales are effected invoices are sent to the parties for payment. The sum of Rs. 652-11-0 will be recovered soon and remitted.

(*c*) *Amount due from the Central Silk Board—Rs.* 1,222-13-4.—The Central Silk Board has remitted a sum of Rs. 2,000 to Government Silk Filatures and this has been credited to Government Silk Filature accounts. The sum of Rs. 1,222-13-4 due from the Central Silk Board will be adjusted from this amount.

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(*d*) *Demurrage charges.*—The matter is still under correspondence with the Railway authorities. The result of the correspondence will be reported in due course.

(*e*)—No remarks.

VII and VIII (*a*) *and* (*b*).—No remarks.

(*c*) *Disposal of Surplus machinery.*—A separate report has been promised by the Sericultural Expert and on receipt, it will be submitted to Government.

(*d*) *and* (*e*).—No remarks.

IX.—No remarks.

VI

IV

Letter from the Director of Industries and Commerce, Madras, to the Secretary to Government, Development Department, dated 7th June 1952, No. 2439-D1-51.

Government Silk Filature, Kollegal—Audit Report on the accounts for the year 1950–51.—*Reference*—This office letter, dated 4th March 1952, No 2439-D1-51.]

In continuation of this office letter cited above, I submit below my further replies in respect of the audit report on accounts of the Government Silk Filatures, Kollegal, for the year 1950–51.

I Para

Section I—Paragraph II—Cost Accounting.—The Sericultural Expert has reported that process costing would be introduced from 1st April 1952. Till now only monthly costing statements were prepared from which the cost of silk per lb. has been arrived at. I have deputed the Commercial Accountant from this office to examine whether the correct procedure is being adopted by the Sericultural Expert in assessing the cost at various stages of productions.

S/

Section II—Paragraph IV—Verification of stock.—The final report on the results of the annual stock verification for the year 1950–51 is under preparation and will be submitted to Government separately.

Paragraph V—Security deposits.—Security from Drainage Assistant.—The Sericultural Expert has issued instructions to the Sericultural Section in the matter. I shall submit a further report on hearing from the Sericultural Expert.

D/

Security from the Cocoon Storekeeper.—The present Cocoon Storekeeper has been asked by Sericultural Expert to furnish security and I shall submit a further report on hearing from the Sericultural Expert.

Paragraph VI—Balance of store on hand.—The value of the stores as per stock book and that as per the ledger have been reconciled and I am addressing the Accountant-General, Madras, to adjust the difference.

Order—No. 3414, Development, dated 7th August 1952.

Recorded.

Section I.

2. *Paragraph III* (*a*) *of the Audit Report—Report on the accounts for* 1948–49*—Cost accounts.*—Process costing system of accounts would be introduced in the Government Silk Filatures, Kollegal, for the year 1952–53, from 1st April 1952 onwards.

7 6

3. *Paragraph III (b) (1) of the Audit Report—Report on the accounts for 1949-50—Bleaching losses.*—Revised percentages up to which losses due to bleaching of silk can be allowed have been fixed in paragraph 4 of G.O. Ms. No. 690, Development, dated 25th February 1952.

4. *Paragraph III (b) (2) of the Audit Report—Report on the accounts for 1949-50—Storing of silk.*—The Director of Industries and Commerce is requested to expedite the proposal for the construction of a store room for storing silk.

5. *Paragraph III (b) (3) of the Audit Report—Adjustment of value of buildings transferred to Public Works Department.*—In Memorandum No. 41290-M.I 51-5, Development, dated 4th October 1951, the Government have decided that as the residential and non-residential buildings of the Government Silk Filatures, Kollegal, were transferred to the Public Works Department for better management only and as commercial accounts are maintained by the Industries Department for the silk filatures, there is no need for the Public Works Department to maintain Capital and Revenue accounts for the buildings separately or pay the value of the buildings to the Department of Industries and Commerce by book adjustment.

6. *Paragraph III (b) (4) of the Audit Report—Sundry debtors.*—Credit sales of handloom fabrics to the extent of Rs. 1,060-3-6 have been ratified by the Government in paragraph 15 of G.O. Ms. No. 690, Development, dated 25th February 1952.

SECTION II.

7. *Paragraph I of the Audit Report—Reconciliation of the figures booked in the department with those of Treasury.*—The Director of Industries and Commerce is informed that in future there should be no delay in the reconciliation of the departmental figures with those of the treasury and that the instructions of the Accountant-General regarding reconcillation of figures should be strictly followed.

8. *Paragraph III of the Audit Report—Accumalation of balances in the cash chest.*—In paragraph 6 of G.O. Ms. No. 690, Development, dated 25th February 1952, the Government have fixed Rs. 20,000 as the limit up to which the the Sericultural expert, Kollegal, may draw cash or keep cash in the cash chest at any one time.

9. *Paragraph IV of the Audit Report—Periodical physical verification of stock.*—The final report of the Director of Industries and Commerce on the results of the annual stock verification for the year 1950-51 is awaited. The annual stock verification for 1951-52 should also be expedited.

The Director of Industries and Commerce is requested to see that in future annual physical verification of stock in the filatures is conducted before 1st April each year.

10. *Paragraph V of the Audit Report—Security deposits.*—The Director of Industries and Commerce is requested to take immediate action in the matter as pointed out in Audit.

The further report from the Director of Industries and Commerce in regard to the collection of security deposits from Grainage Assistants and Cocoon Store-keeper is awaited.

11. *Paragraph VI of the Audit Report—Balance of stores on hand.*—(i) The Director of Industries and Commerce is requested to submit a report on the reconciliation of the stock of stores as on 31st March 1951 after adjustment of the difference.

(ii) The instructions of the Accountant-General regarding preparation of abstract from the stores registers and its reconciliation with the figures shown in the balance sheet should be strictly followed in future. The Director of Industries and Commerce is requested to report why the omission recurred even though it was pointed out in the Audit Note of the previous year.

Section III.

12. *Paragraph II (3) of the Audit Report—Valuation of by products and allocation of over heads.*—The view, that since the Government Silk Filatures, Kollegal, is merely a buyer of cocoons, it will not be appropriate to debit any portion of the pay of the market organization to its accounts has been accepted by the Government vide paragraph 8 of the G.O. Ms. No 690, Development, dated 25th February 1952.

13. *Paragraph III (c) of the Audit Report—Value of silk to be written off*—The write-off of a sum of Rs. 6,218-6-6 being the value of silk found deficient during stock verification in the Government Silk Filatures, Kollegal, has been sanctioned by the Government in G.O. Ms. No. 1992, Development, dated 1st May 1951.

4. *Paragraph IV of the Audit Report—(i) Silk issued to the weaving department.*—The Director of Industries and Commerce's report on the valuation of silk issued to the weaving department is awaited.

(ii) *Fixation of selling prices of fabrics.*—The Government have decided that the question of adding overhead charges to the selling price of fabrics should be considered after the weaving section is made permanent or after the power loom section commences working. The proposal of the Director of Industries and Commerce to fix the margin of profit for sale of silk fabrics at 6¼ per cent of the cost of the fabrics has been accepted by the Government and orders issued in paragraph 10 of G.O. Ms. No. 690, Development, dated 25th February 1952.

(iii) *Overheads.*—In his letter No. 6362-DI/50, dated 20th March 1951, the Director of Industries and Commerce has reported that the suggestion of the Audit to debit the pay and allowances of the Foreman to the Manufacturing and Trading Account of the weaving section will be followed from 1951-52. The Director of Industries and Commerce is requested to report whether he has not done so.

15. *Paragraph V of the Audit Report*—(i) *Depreciation.*—Uniform rates of depreciation in all Government commercial concerns under the control of the Director of Industries and Commerce has been fixed in G.O. Ms. No. 4391, Development, dated 4th October 1951.

(ii) *Books and periodicals.*—An inventory of books and periodicals purchased by the Sericultural section should be opened at an early date and a report submitted to the Government.

16. *Paragraph VI of the Audit Report—(i) Land, buildings, plant and machinery, etc.—Rates of depreciation.*—The suggestion of the Accountant-General that the value of each class of asset (land, buildings, etc.) and the additions thereto, depreciation written off in respect of each, depreciation written off to the end of the previous year and that provided for during the current year may be shown separately in the balance sheet will be given effect to from 1951-52 onwards.

6

(ii) *Sundry debtors.*—The Director of Industries and Commerce is requested to collect at once the amount of Rs. 652-11-0 being the cost of silk fabrics sold during 1950-51 and to submit a report to the Government. The Director of Industries and Commerce is informed that in future sale of silk fabrics kept in the Central Office should be made only against cash payment on the spot.

(iii) *Demurrage charges.*—The Director of Industries and Commerce is requested to expedite the matter and to submit a report to the Government at an early date.

17. *Paragraph VIII (c) of the Audit Report—Disposal of surplus plant and machinery.*—The report from the Director of Industries and Commerce is awaited.

(By order of the Governor.)

J. M. Lobo Prabhu,
Secretary to Government.

To the Director of Industries and Commerce, Madras.
Accountant-General (through Finance Department).
Finance Department.

GOVERNMENT OF MADRAS
ABSTRACT

INDUSTRIES - SERICULTURE - Government Silk Filatures, Kollegal - Audit Report, 1950-51 - Recorded with remarks.
x.x.x.

SECTION II.

7. Paragraph I of the Audit Report - Reconciliation of the figures booked in the department with those of Treasury.

The Director of Industries and Commerce is informed that in future there should be no delay in the reconciliation of the departmental figures with those of the Treasury and that the instructions of the Accountant-General regarding reconciliation of figures should be strictly followed.

8. Paragraph III of the Audit Report - Accumulation of balances in the cash Chest.

In paragraph 6 of G.O.No.Ms.690 Development, dated 25-2-1952, the Government have fixed Rs. 20,000/- as the limit up to which the Sericultural Expert, Kollegal, may draw cash or keep cash in the cash chest at any one time.

9. Paragraph IV of the Audit Report - Periodical physical verification of stock.

The final report of the Director of Industries and Commerce on the results of the annual stock verification for the year 1950-51 is awaited. The annual stock verification for 1951-52 should also be expedited.

The Director of Industries and Commerce is requested to see that in future annual physical verification of stock in the Filatures is conducted before 1st April each year.

10. Paragraph V of the Audit Report - Security Deposits.

The Director of Industries and Commerce is requested to take immediate action in the matter as pointed out in Audit.

The further report from the Director of Industries and Commerce in regard to the collection of security deposits from Grainage Assistants and Cocoon Store Keeper is awaited.

11. Paragraph VI of the Audit Report - Balance of Stores on hand.

(i) The Director of Industries and Commerce is requested to submit a report on the reconciliation of the stock of stores as on 31-3-1951 after adjustment of the difference.

(ii) The instructions of the Accountant-General regarding preparation of abstract from the stores registers and its reconciliation with the figures shown in the balance sheet should be strictly followed in future. The Director of Industries and Commerce is requested to report why the omission recurred even though it was pointed out in the Audit Note of the previous year.

SECTION III.

12. Paragraph II(3) of the Audit Report - Valuation by products and allocation of over heads.

The view, that since the Government Silk Filatures, Kollegal, is merely a buyer of cocoons, it will not be appropriate to debit any portion of the pay of the market organisation to its accounts has been accepted by the Government - Vide paragraph 8 of G.O.No.Ms.690 Development dated 25-2-1952.

13. Paragraph III(c) of the Audit Report - Value of Silk to be written off.

The write off of a sum of Rs. 6,218-6-6 being the value of Silk found deficient during Stock verification in the Government Silk Filatures, Kollegal, has been sanctioned by the Government in G.O.No.Ms.1992, Development dated 1-5-1951.

14. Paragraph IV of the Audit Report - (i) Silk issued to the Weaving Department.

The Director of Industries and Commerce's report on the valuation of silk issued to the weaving Department is awaited.

(ii) Fixation of selling prices of fabrics.

The Government have decided that the question of adding overhead charges to the selling price of fabrics should be considered after the weaving section is made permanent or after the power loom section commences working. The proposal of the Director of Industries and Commerce to fix the margin of profit for sale of Silk fabrics of 6¼ per cent of the cost of the fabrics has been accepted by the Government and orders issued in paragraph 10 of G.O.Ms.No. 690, Development, dated 25-2-1952.

(iii) Over-heads.

In his letter No. 6362 DI/50, dated 20-3-1951, the Director of Industries and Commerce has reported that the suggestion of the Audit to debit the pay and allowances of the Foreman to the Manufacturing and Trading Account of the Weaving Section will be followed from 1951-52. The Director of Industries and Commerce is requested to report whether he has not done so.

15. Paragraph V of the Audit Report -
(i) Depreciation.

Uniform rates of depreciation in all Government Commercial concerns under the control of the Director of Industries and Commerce has been fixed in G.O.No.Ms.4391, Development dated 4-10-1951.

(ii) Books and Periodicals.

An inventory of Books and periodicals purchased by the Sericultural section should be opened at an early date and a report submitted to the Government.

16. Paragraph VI of the Audit Report -
(i) Land buildings, plant and machinery, etc. - Rates of depreciation.

The suggestion of the Accountant-General that the value of each class of asset (land, buildings, etc.) and the additions thereto, depreciation written off in respect of each, depreciation written off to the end of the previous year and that provided for during the current year may be shown separately in the Balance sheet will be given effect to from 1951-52 onwards.

(ii) Sundry debtors.

The Director of Industries and Commerce is requested to collect atonce the amount of Rs. 652-11-0 being the cost of Silk fabrics sold during 1950-51 and to submit a report to the Government. The Director of Industries and Commerce is informed that in future sale of silk fabrics kept in the central office should be made only against cash payment on the spot.

(iii) Demurrage charges.

The Director of Industries and Commerce is requested

p.t.o.

to expedite the matter and to submit a report to the Government at an early date.

17. Paragraph VIII(c) of the Audit Report - Disposal of surplus plant and machinery.

The report from the Director of Industries and Commerce is awaited.

(BY ORDER OF THE GOVERNOR OF MADRAS)

J.M. Lobo Prabhu,
Secretary to Government.

To

The Director of Industries and Commerce, Madras.
The Accountant General, through Finance.
The Finance Department.

True Copy/Forwarded/By Order

KMS. 9-8.

SUPERINTENDENT.

14.8.52

~~Copy of~~ Letter No.OA.31-24/51-52/406, dated 7th December, 1951, from the Accountant-General, Madras, to the Secretary to ~~the~~ Government ~~of Madras~~, Development Department, ~~Madras~~

~~Subj:-~~ Audit Report and accounts of the Government Silk Filatures, Kollegal, for the year 1950-51.

I forward herewith for the information and orders of Government the accounts of the Government Silk Filatures, Kollegal, for the year 1950-51 together with the audit report thereon.

2. Special attention is invited to paragraph I, III, IV and V of Section II and paragraph VIII of Section III of the report

3. Copies of the accounts and Audit Report are being forwarded to the Secretary to the Government of Madras, Finance Department, the Director of Industries and Commerce, Madras, and the Sericultural Expert, Government Silk Filatures. Kollegal for information and necessary action.

4. Minor irregularities noticed are included in an audit note which is being sent to the Sericultural Expert, Government Silk Filatures, Kollegal, for reply and retransmission through the Director of Industries and Commerce, Madras.

No.OA. 31-24/51-52/407/408/409 dated 9th November, 1951.

Copy together with a copy of the accounts and report forwarded to the Secretary to the Government of Madras, Finance Department, Fort St. George, Madras, for information.

Copy together with a copy of the accounts and report forwarded to the Director of Industries and Commerce, Madras, with the request that his remarks on the report may be forwarded Government direct.

Copy together with a copy of the accounts and report forwarded to the Sericultural Expert, Government Silk Filatures, Kollegal. Audit Note (in duplicate) is also sent herewith for reply and retransmission through the Director of Industries and Commerce, Madras.

~~Copy of~~ Letter No.2439/D1/51, dated 4th March, 1952, from the Director of Industries and Commerce, Madras, to the Secretary to Government, Development Department, ~~Madras~~.

~~Sub:-~~ Industries - Sericulture - Government Sil Filatures, Kollegal - Audit Report and Accounts for the year 1950-51.

Ref:- Government Development Memo No.135177-M.I/51-1, dated 19th December, 1951.

I furnish the following remarks on the several points raised in the audit report on the accounts of Government Silk Filatur Kollegal, for the year 1950-51.

Paras I & II. - No remarks.

SECTION I (a) (2) INTRODUCTION OF COST ACCOUNTING - Para I

In as much as the post of Cost Accountant sanctioned in G.O. No.2867, Development dated 21-6-1951 (i.e.) during the year 1951-52 was filled up only on 27-10-1951 the Cost Accounting system could not be introduced during the year. The Sericultural Expert has been instructed to introduce the system from 1-4-1952.

p.t.o.

SECTION I (b) - BLEACHING LOSSES:-

Revised percentages upto which losses due to bleaching of silk can be allowed were recommended to Government in this office letter No. 6362 D1/50, dated 20-9-1951, and final orders of Government are awaited.

SECTION A - PARA 2 - STORING OF SILK.

The Executive Engineer, Salem Division, Mettur Dam, has been asked to prepare an estimate for the construction of a store room for storing silk. On receipt of the estimate, Government will be addressed for necessary sanction.

SECTION B. 3. Buildings:-

Government have passed orders in Memo.No.41290 MI/51-5, Rxxx: Development, dated 18-10-1951, that the value of the buildings transferr to the Public Works Department need not be recovered from the Public Works Department.

SUNDRY DEBTORS.

Kind reference in invited to para VI of section B in this office letter No. 6362 D/50, dated 20-9-1951 and early orders of Government are requested in the matter.

SECTION II. I. Reconciliation:-

(a) The Cashier Accountant of the Filature was sent to Coimbatore during the third week of December 1951 and the Department figures in respect of 'I.Remittances' and II.cheques' have since been reconciled with those booked at the Huzur Treasury, Coimbatore for the year 1950-51 and upto November 1951 in 1951-52.

The statements of reconciliation have been forwarded to the Accountant General by the Sericultural Expert.

(b), (c) & (d). - The Sericultural Expert has reported that the correct procedure is being followed with effect from December 1951 accounts as reconciliation has already been carried out upto November 1951 and that reconciliation with other Treasuries also will be carried out with effect from December, 1951.

II. Withdrawal of amounts from Treasury:-

The Sericultural Expert, Government Silk Filature, Kollegal has been instructed to draw separate cheques for pay allowances, T.A. and wages of workmen etc., in future for the exact amount of the bills as suggested by the Accountant General.

III. Accumulation of cash in the cash chest:- The necessity for keeping large amounts of money in the cash chest was already explained to Government in para VI of section A of this office letter No. 6362 D1/50 dated 20-9-1951 and the orders of Government are awaited.

IV. Verification of stock:-

The reports received from the stock verifying officer are being examined in consultation with the Sericultural Expert and a final report on the results of the stock verification will be sent to the Accountant-General shortly.

V. Security Deposits.

The security of Rs. 100/- taken from the Grainage Assistants is for some of the articles such as "Microscope" etc. entrusted to them for safe custody. The purchase and disbursement of cocoons were hitherto made by the Market Officers themselves; but now that the Sericultural Expert is the head of both the Sericultural and Filature sections, the disbursement work is entrusted to the Grainage Assistants for securing administrative efficiency. The Grainage Assistants are doing this work in addition to their work relating to the Sericultural Section. It is considered that if the present

D.t.o.

system should continue permanently, addition of security for the cash of the Filature Section entrusted to them may have to be taken. This aspect will be examined and further report will be submitted.

(ii) The Store Clerk Sri R. Sankaran is not in service now. The security will be obtained from the clerk who is now in charge of stores.

(iii) The Sericultural Expert has been asked to take immediate action to have the fidelity bond renewed if not already done.

(iv) The Sericultural Expert is being instructed to collect from the Store Keeper the security deposit as suggested by the Accountant General.

VI - BALANCE OF STORES ON HAND:-

The Sericultureal Expert has promised to reconcile the stock of stores as on 31-3-1951 and on receipt of his report, a report will be submitted to Government.

Section III.

I. Proforma Accounts.
II. (1) Cost of production.
(2) Raw materials. — No remarks.

(3) Valuation of bye products:-

Kind attention of Government is invited to this office letter No.6362 D1/50, dated 20-9-1951 wherein I have explained that it will not be appropriate to debit any portion of the pay of the market organisation to the accounts of the Government Silk Filature. Government orders are awaited.

III (a) and (b) - No remarks.

(c) - The balance of Rs. 6,218-6- has also been written off by Government vide G.O.No.1992 Development dated 1-5-1951.

IV(a) - No remarks.

(b) - Government have issued orders directing that the silk issued to the Weaving Section should be valued with reference to the cost of production vide Development Memo No.90271 M.I/51-4, dated 30-11-1951. The Sericultural Expert was thereupon asked to report whether it would be possible to give effect to the orders of Government from the beginning of this year(1951-52). He has submitted his remarks and they are under examination. A further report will follow:-

(c) Over heads:-

I invite a kind reference to this office letter No.6362 D1/50, dated 20-8-1951 wherein I have submitted that the question of debiting the pay and allowances of the foreman in charge of the hand loom to the trading and manufacturing accounts may be considered after the weaving section is made permanent or the Powerloom Weaving Section is started at the Government Silk Filature, and final orders of Government are awaited.

V(a) Depreciation.

Government have approved the uniform rates of depreciation in G.O.No. 4391 Development dated 4-10-1951 and these rates will be adopted from the yar 1951-52.

(b) Books & Periodicals:- An inventry will be opened by the Sericultural Expert as suggested by the Accountant General, Madras.

(c) Leave and pensionary contribution:-

No remarks.

(d) Interest on capital:-

Sericultural Expert has been asked to note the instruction

(e) Rent:- No remarks.

VI - Balance Sheet.-

(a) (i) No remarks.

(ii) In giving effect to the suggestion made by the Accountant General, the Sericultural Expert states that the figures will have to be worked out from 1-9-45, the date on which the concern was purchased by the Madras Government for the Government of India and it will take a long time to work out the same. He has however promised that the suggestions will be followed and adopted in the Balance Sheet for 1951-52.

(b) Credit sales are not allowed at the filatures. A small stock of silk fabrics is kept in the Central Office for sale. As soon as sales are effected invoices are sent to the parties for payment. The sum of Rs. 652-11-0 will be recovered soon and remitted.

(c) Amount due from the Central Silk Board:- Rs. 1,222-13-4:- The Central Silk Board has remitted a sum of Rs. 2,000/- to Government Silk Filatures and this has been credited to Government Silk Filature accounts. The sum of Rs.1,222-13-4 due from the Central Silk Board will be adjusted from this amount.

(d) Demurrage charges:-

The matter is still under correspondence with the Railway authorities. The result of the correspondence will be reported in due course.

(e) No remarks.

VII.
VIII.(a) & (b) :- No remarks.

(c) - Disposal of Surplus machinery:-

A separate report has been promised by the Sericultural Expert and on receipt it will be submitted to Government.

(d) and (e):- No remarks.

IX No remarks

/True Copy/

~~Copy of the~~ Letter No.2439-D1-51, dated 7th June, 1952, from the Director of Industries and Commerce, Madras, to the Secretary to Government, Development Department, ~~Madras~~.

Sub:- Government Silk Filature, Kollegal - Audit Report on the accounts for the year 1950-51.

Ref:- This office letter No. 2439-D1-51, dated 4-3-1952.

In continuation of this office letter cited above, I submit below my further replies in respect of the audit report on accounts of the Government Silk Filatures. Kollegal for the year 1950-51.

Section I para 2 Cost Accounting:-

The Sericultural Expert has reported that process costing would be introduced from 1st April, 1952. Till now only monthly costing statements were prepared from which the cost of silk per lb. has been arrived at. I have deputed the Commercial Accountant from this office to examine whether the correct procedure is being adopted by the Sericultural Expert in assessing the cost at various stages of productions.

Section II para IV - Verification of stock.-

The final report on the results of the annual stock verification for the year 1950-51 is under preparation and will

submitted to Government separately.

Para V Security Deposits - Security from grainage Asst.

The Sericultural Expert has issued instructions to the Sericultural Section in the matter. I shall submit a further report on hearing from the Sericultural Expert.

Security from the Cocoon Store Keeper:

The present Cocoon Store-keeper has been asked by Sericultur Expert to furnish security and I shall submit a further report on hearing from the Sericultural Expert.

Para VI - Balance of Store on hand:

The value of the stores as per stock book and that as per the ledger have been reconciled and I am addressing the Accountant-General, Madras to adjust the difference.

/True Copy/

SUPERINTENDENT.

Ar.

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Public

Part for approval and early Return after settling the queries marked in this 2 para

1955/57

AUDIT REPORT ON THE ACCOUNTS OF THE GOVERNMENT SILK FILATURES, KOLLEGAL, FOR THE YEAR 1950–51.

[*Conducted from 17th to 30th August* 1951 (10 *working days*).]

INTRODUCTORY.

I. *Scope of audit.*—(*a*) The accounts of the Government Silk Filatures, Kollegal, for the year 1949–50 were last audited in December 1950. The present audit is confined to a test-check of the accounts for 1950–51 with a detailed scrutiny of those for March 1951.

(*b*) Sri A. T. Janakiraman, B.Sc., continued to hold charge of the post of Sericultural Expert, Government Silk Filatures, Kollegal, during the year.

II. The following are some of the important irregularities noticed during the present inspection :—

(1) Non-reconciliation of departmental figures with those of the Treasury.

(2) Accumulation of balances in cash chest.

(3) Delay in the periodical physical verification of stock.

(4) Omission to recover security deposit from two store-keepers.

They are dealt with in the succeeding paragraphs.

Section I.

III. *Outstanding points of the previous Inspection Reports*—(*a*) *Report on the accounts for* 1948–49—*Paragraph IX—Cost accounts.*—Cost accounting has not yet been introduced in the concern to assess the cost of production at every stage, viz., (1) cost up to the stage the cocoons are sorted and issued for reeling, (2) cost after reeling, (3) cost of silk produced after cleaning, baling, etc., and (4) cost of silk made into organzine and tram for weaving purposes. The total cost of production per pound of silk produced is worked out at the end of each month and the same communicated to the Director of Industries and Commerce for information. The selling rate is, however, fixed with reference to the market conditions, under orders of the Director. Now that a post of Cost Accountant has been sanctioned by Government in G.O. Ms. No. 2867, Development, dated 21st June 1951, it should be possible to introduce costing in the concern, as suggested above. Action taken in this regard may be intimated.

(*b*) *Report on the accounts for* 1949–50—*Section A*—(1) *Paragraph IV ching losses.*—The maximum limit fixed by the Director of Industries and Commerce for losses due to bleaching and approved by Government in G.O. Ms. No. 5334, Development, dated 29th December 1950, had been exceeded in a number of cases and it was suggested that the reasons therefor might be investigated and revised percentages prescribed, if necessary. Orders of Government on the revised percentages proposed by Sericultural Expert in his letter No. 362-A-2/57-1, dated 7th July 1951, to the Director of Industries and Commerce are awaited.

(2) *Paragraph V—Storing of silk.*—Silk yarn is stored in a room just like other ordinary stores. The desirability of taking adequate precautions in storing the silk in a storing room was suggested for consideration. The Executive Engineer, Public Works Department, was addressed by the Sericultural Expert in letter No. D/51, dated 30th June 1951, in the matter but no reply has yet been received from him. Action in this regard should be expedited.

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Section B—(3) *Paragraph VI* (*a*) (*i*) *Balance sheet.*—Orders of Government regarding the question of adjustment of the full market value of the buildings transferred to the Public Works Department are awaited.

Sundry debtors.—Orders of Government approving credit sales of Rs. 1,060-3-6 effected during 1949–50 are awaited.

Section II.

Report on the accounts for 1950–51—I. *Reconcilition of the figures booked in the department with those of the Treasury.*—(*a*) The reconciliation of departmental figures with those booked in the Treasury has not been effected during 1950–51. In his letter No. 2306-A-1/50, dated 21st April 1951, the Sericultural Expert promised to have the reconciliation effected by the second week of May 1951 but no action has been taken so far in this regard. As reconciliation of departmental figures with those of the Treasury is essential to ensure that the amounts are properly booked in the Treasury, steps should be taken at once to have the reconciliation effected and to forward the certificates of reconciliation from April 1950 onwards to the Accountant-General, Madras.

(*b*) Reference is invited to letter No. T. 10. B, Commercial 648, dated 17th February 1951, addressed to the Director of Industries and Commerce wherein detailed instructions regarding reconciliation were issued for the guidance of the departmental officer. It is, however, noticed that they have not been complied with as noted below :—

(i) A Consolidated Treasury Receipt has not been prepared for remittances into the Treasury and sent to the District Treasury for verification and return (Rule 18 under T.R. 10).

(ii) In respect of withdrawals from the Treasury, pass books should have been maintained and sent to the Treasury at the end of each month to effect reconciliation of the amounts booked under "II Cheques." A certificate for the total payment made by the Treasury during each month should have been obtained as in the case of Public Works offices from the Treasury Officer.

(*c*) Remittances made into the various treasuries on behalf of the concern by private parties are still accounted for under "I Remittances" notwithstanding the fact that instructions were issued in paragraph 4 of the Accountant-General's letter cited above to see that they are booked under "III Other Remittances." The correct procedure may please be strictly followed in future.

(*d*) Reconciliation of departmental figures in respect of transactions with those of other treasuries may also be effected and the fact reported to the Accountant-General, Madras.

II. *Withdrawal of amounts from the Treasury.*—The funds required for day-to-day expenditure of the Government Silk Filatures are drawn by means of cheques on the local Treasury. The cheques are drawn for lump amounts whenever required and all expenditure in connexion with the disbursement of pay and allowances of officers and establishment, wages to labourers, etc., is met therefrom. The Market Officers are also given advances therefrom, for the purchase of cocoons. To ensure that amounts are not drawn in anticipation of requirements prior to the preparation of bills it is necessary to introduce the system (obtaining in other commercial

concerns) of drawing funds by cheques from the Treasury for the exact amounts of bills for pay, travelling allowance, wages of labourers, etc., and by separate cheques for meeting the requirements of Market Officers for the purchase of cocoons.

III. *Accumulation of balances in the cash chest.*—It is noticed that large amounts are drawn by self-cheques far in excess of immediate requirements, with the result that heavy balances were lying in the cash chest. The heavy withdrawals from the treasury in November 1950 and December 1950 and the actual cash balances during those months are given in the Annexure I. This is contrary to the instructions in Article 94 of Madras Financial Code, Volume I. It was explained that for purchasing cocoons at frequent intervals by the Marketing Officers money is always kept in the cash chest to the tune of nearly Rs 50,000. It is disirable that the maximum amount that can be kept in the cash chest at any time is fixed under orders of Government. This was also pointed out in paragraph VI of the previous year's Inspection Report.

IV. *Periodical physical verification of stock.*—It is seen that physical verification of stock was not conducted in the Filatures before 31st March 1951 (Article 143 of the Madras Financial Code, Volume I). The verification of stores was begun in June 1951 and in respect of the following items, it is still in progress :—

Cocoons, dyestuffs, medical stores, Japanese reeling machinery spare parts, handloom accessories, pipes and fittings, fuel, petrol.

The result of the verification and action taken thereon may be intimated to audit.

Steps may kindly be taken to ensure that physical verification of stock is conducted before 1st April of each year.

V. *Security deposits.*—(i) It is seen that large sums of money ranging up to Rs. 10,000 even at times are advanced to the Grainage Assistants entrusted with the purchase of cocoons. A cash security of Rs. 200 only is taken from them for the moneys of Sericultural section handled by them. Additional security for the cash of the Filatures entrusted to them for the purchase of cocoons has not been taken.

Action to put up proposals in this regard has been promised by the Sericultural Expert. This may be expedited.

(ii) Security deposit has not been recovered from the temporary store clerk Mr. Sankaran as enjoined in Article 276 of Madras Financial Code, Volume I. Steps may be taken to collect the security forthwith, under intimation to audit.

(iii) It is seen that fidelity bond executed by Mr. Saiduddin Ahmed, Silk Store-keeper, expired on 22nd August 1950. Early action may be taken to have it renewed as prescribed in Article 282 of Madras Financial Code, Volume I.

(iv) No security has been recovered from the clerk in charge of cocoon stores. It is explained that the Manager (Technical) holds charge of the stores. As however, Mr. Dasaratharaman is actually placed in immediate charge of the stores, it is necessary that security deposit is recovered from him as per the Code Rule cited above. This may now be done.

VI. *Balance of stores on hand.*—A sum of Rs. 22,689-6-0 has been shown in the Balance Sheet as the value of stores (other than cocoons) on hand on 31st March 1951. This sum is worked out by adding the receipts and deducting the issues to the last year's closing balance. The stores registers have been maintained with values but the balances as per the stores registers have not been extracted at any time and the total reconciled with the figures in the Balance Sheet. An abstract may be prepared in future showing the opening balance, receipts, issues and closing balance in the stores registers. The closing balance as on 31st March 1951 may be worked out from the stores registers and the same reconciled with the figures shown in the Balance Sheet.

The omission recurred though the same was pointed out in paragraph 11 of Audit Note of the previous year and action was promised to be taken in this regard.

Section III.

I. *Pro forma accounts.*—The accounts of the Filatures for the year ended 31st March 1951 have been audited and the following accounts and statements are appended:—

(i) Balance Sheet as on 31st March 1951.

(ii) Manufacturing Account of silk for the year ended 31st March 1951.

(iii) Trading Account of silk for the year ended 31st March 1951.

(iv) Combined Manufacturing and Trading Account of the Weaving section for the year ended 31st March 1951.

(v) Combined Profit and Loss Account (Silk and Fabrics) for the year ended 31st March 1951.

(vi) Statement showing the monthly consumption of cocoons, wages paid and yield of silk (Statement I).

(vii) Interest calculation sheet (Statement II).

(viii) Statement of land, buildings, plant and machinery, etc. (Statement III).

II. Manufacturing Account—(1) *Cost of production.*—The total cost of production of silk during the year 1950–51 worked out to Rs. 42-14-5 per lb. as against Rs. 52-2-0 per lb. during 1949–50—vide details given below:—

	1950–51. 22,726 lb.		1949–50. 9,600 lb.	
Production	Total charges. (1) Rs.	Cost per lb. (2) Rs. A. P.	Total charges. (3) Rs.	Cost per lb. (4) Rs. A. P.
1 Raw material	7,90,617	34 12 8	3,50,903	36 3 5
2 Direct wages	1,02,934	4 8 6	44,580	4 9 7
*Prime cost ..	8,93,551	39 5 2	3,95,483	40 13 0
3 Factory overheads ..	76,748	3 6 0	82,551	8 8 4
	9,70,299	42 11 2	4,78,034	49 5 4
Less sale of dead pupas, duppion and silk waste.	50,768	2 3 9	35,253	3 10 3
Cost of production ..	9,19,531	40 7 5	4,42,781	45 11 1
4 General overheads ..	55,220	2 7 0	62,326	6 6 11
Total cost ..	9,74,751	42 14 5	5,05,107	52 2 0*

*The figure arrived at during last year is Rs. 50-12-7 as the miscellaneous recoveries credited in the profit and loss were also taken into account. These recoveries have been excluded in the current report for the purpose of working out production cost.

The decrease in the cost of production is mainly due to increase in production and decrease in factory and general overheads during the year. During the year 1950-51, the factory was not open to production for a period of 3 months and 23 days as against 6 months and 15 days in the preceding year. A general reduction of establishment of 33-1/3 per cent was given effect to from 1st August 1950 but this cut was partially restored when production increased.

(2) *Raw materials—Cocoons.*—(*a*) The purchase cost of cocoons, the only raw material of the business, during the two years (1949-50 and 1950-51) is compared in the statement given below:—

	1950-51.	1949-50.
	LB.	LB.
Total quantity purchased	4,07,922 6	2,17,200 12
	RS. A. P.	RS. A. P.
Total cost	7,52,040 7 10	3,23,246 2 1
Cost per lb.	1 13 6	1 7 10

The average cost of cocoons worked out to Rs. 1-13-6 per lb. during 1950-51 as against Rs. 1-7-10 in the preceding year. This exceeded the price of Re. 1-4-0 per lb. fixed by the Tariff Board, as a fair price. The increase in cost of cocoons was more than counter-balanced by the better quality of cocoons purchased during the year as shown in sub-paragraph (*b*) below.

(*b*) The quantities of cocoons consumed, good silk obtained and the renditta (i. e., the weight of cocoons per pound of silk) during the years 1950-51 and 1949-50 are given below.—

Year.	Cocoons consumed.	Silk obtained.	Renditta.
	LB.	LB.	
(1)	(2)	(3)	(4)
1950-51	4,07,922	22,726	17·95
1949-50	2,04,066	9,690	21·1

The lower renditta during the year under report as compared with that for 1949-50 is due to the comparatively superior quality of cocoons purchased during the year. The percentage of double cocoons (inferior variety) to the total quantity purchased during the year worked out to 3·5 against 6·05 in the preceding year.

(3) *Valuation of by-products/allocation of overheads.*—The total quantity of duppion and silk waste which are by-products have been valued at the average selling rates with reference to the orders contained in paragraph 3 of G.O. Ms. No. 5334, Development, dated 29th December 1950. The pay and allowances of officers and staff have been allocated between factory overheads and general overheads in the ratio of 2 : 1. The pay and allowances of Market Officers stationed at Kollegal, Hanur, Kamakarai, Chilukuvadi and Seed Cocoon Purchasing Assistant at Talavadi are now met by the Sericultural section. A portion of their pay and allowances is correctly chargeable to the accounts of the Filatures (in proportion to the services rendered by them to the Filatures). Action may be taken to give effect to the correct procedure in future.

III. Trading account.—(*a*) The Trading account for the year under review shows a gross profit of Rs. 81,940 as against Rs. 1,40,435 during 1949-50. The decrease is due to the fact that, while the heavy closing stock

of 1948–49 was disposed of during 1949–50 at favourable rates, the margin of profit for the sales in respect of yarn produced during 1950–51 was comparatively less. The sales of silk during the year 1950–51 amounted to Rs. 9,69,555 as against Rs. 10,23,498 during the year 1949-50.

(*b*) *Closing stock.*—*Rs.* 1,55,233-13-9.—The items of closing stock have been valued at the cost of production as it is lower than the selling rates prevailing at the close of the year.

(*c*) *Value of silk to be written off*—*Rs.* 6,218-6-6.—The amount represents the value of stock found deficient during stock verification in 1947-48. Out of Rs. 6,616-9-9 representing the value of stock found deficient, a sum of Rs. 398–3–3 was written off during 1950–51.

IV. Combined manufacturing and trading account of weaving section.—(*a*) The Weaving section continues to work on an experimental basis as a temporary measure and the question of retaining this permanently and to introduce the working of the same on power-looms is stated to be still under the consideration of Government. The working of the section has resulted in a profit of Rs. 1,741 during 1950–51 as against Rs. 1,969 during the preceding year. The decrease is due to lower selling rates of silk consequent on the adoption of reduced rates of Rs. 6 and Rs. 2–4–0 per lb. for cr and tram, respectively, with reference to G.O. Ms. No. 5334, Development, dated 29th December 1950, as against Rs. 9 and Rs. 7–4–0 adopted during the preceding year.

(*b*) Silk issued to the Weaving department has been priced at the prevailing selling rates at the time of issue and not on the actual cost of production. The rates at which issues of silk from stock to the Weaving section are to be made will have to be fixed with reference to the actual cost of production of silk as already suggested in paragraph IV of the report for 1948–49.

The selling prices of fabrics from the Weaving section are so fixed as to allow a flat margin of 8 annas per yard to cover incidental expenses and a small margin of profit. With reference to paragraph IV (*b*) (iv) of the report for 1949–50, it was suggested to Government by the Director of Industries and Commerce in his letter No. 6352/D1/50, dated 20th March 1951 that an addition of 6¼ per cent might be made to the cost of fabrics to cover incidental charges and profit. Orders of Government are awaited in this regard.

(*c*) *Overheads.*—Pay and allowances of foreman (approximately Rs. 800 per annum) who is solely engaged in the Weaving section are now charged to the Silk section, but the above sum is correctly chargeable to the Manufacturing and Trading account of Weaving section. This was already suggested in paragraph IV (*c*) of the previous report and is promised to be followed from 1951–52 [vide the Director's letter to Government cited in sub paragraph (*b*) above].

V. Combined Profit and Loss account of silk and silk fabrics—(*a*) *Depreciation*—*Rs.* 4,523.—The Director of Industries and Commerce addressed Government in his letter No. 1487/F-4/50, dated 30th July 1951, for orders regarding the adoption of uniform rates of depreciation in all Government commercial concerns under his control. Pending final orders of Government fixing the percentage and the method of depreciation to be adopted, the same percentages as were adopted during the previous years have been adopted during this year also by the diminishing balance method.

(*b*) *Books and periodicals—Rs.* 133-2-0.—This represents the cost of books and periodicals purchased during the period. No inventory of the books and periodicals has yet been opened. This may be expedited.

(*c*) *Leave and pensionary contribution—Rs.* 3,969.—The leave and pensionary contribution has been worked out in accordance with the orders of Government contained in paragraph 2 of G.O. Ms. No. 2013, Development, dated 2nd May 1951.

(*d*) *Interest on capital.—Rs.* 13,579-9-0.—Details of working will be found in Statement II. Interest in respect of capital invested during 1950-51 should be calculated at 4·25 per cent with reference to G.O. No. 578, Finance, dated 15th May 1951, instead of at 4 per cent. Necessary adjustments may be made in the accounts for the next year.

(*e*) *Rent Rs.* 5,992-14-0.—This includes a sum of Rs. 1,977-8-0 being the rent realized in 1950-51 in respect of Kollegal Silk Filature buildings taken over by Government Silk Filatures and let out to the Sericultural section.

VI. Balance sheet—(a) Land, buildings, plant and machinery, etc.—Rs. 5,12,745-8-10.—(i) The amount of Rs. 13,565-10-0 shown as additions during the year represents the cost of station-wagon purchased during the year.

(ii) As the rate of depreciation for each class of asset is different, the (*value of each class*) of asset (land, buildings, etc.) and the additions thereto as also depreciation written off in respect of each should be shown separately in the Balance sheet as in the case of other commercial concerns. The depreciation written off to the end of previous year and that provided for the year should be shown separately in the Balance sheet.

(*b*) *Sundry debtors—Rs.* 9,735-10-1.—Out of this amount, a sum of Rs. 652-11-0 represents the cost of fabrics, etc., supplied on credit during 1950-51 for which cost has yet to be recovered. Credit sales have been effected even during the year under report, without the sanction of Government, notwithstanding the fact this was pointed out in paragraph VI (b) of the previous year's report. Early action may be taken to have the credit sales regularized and to effect recovery of the amount.

(*c*) *Amount due from the Central Silk Board—Rs.* 1,222-13-4.—The amount represents expenditure during 1950-51 incurred towards transport and erection of Japanese silk reeling machinery on behalf of the Central Silk Board, New Delhi, recoverable from them. The recovery is awaited.

(*d*) *Demurrage charges*—Rs. 203.—A sum of Rs. 203 was incurred in March 1951 as demurrage charges on Atwood silk twisting machinery imported from abroad. The matter is under correspondence with the Traffic Manager, Southern Railways, Mysore, who was addressed for refund of the amount. The result of the correspondence may be intimated.

(*e*) *Profit and loss reserve account—Rs.* 5,72,963-13-10.— A profit and loss reserve account created as required in G.O. Ms. No. 799, Development, dated 23rd February 1950, as amended in G.O. Ms. No. 1627, Development, dated 21st April 1950, shows a balance of Rs. 5,72,963-13-10 after inclusion of the profit for the year under review.

VII. Comparison of actuals with the budgeted figures.—A comparative statement showing the budgeted figures and the actuals under the following heads for 1950-51 is given as Annexure II :—

(i) Profit or loss.

(ii) Cost of service, purchase price of materials, other production factors, etc.

(iii) Volume of production.

(iv) Volume of sales.

The variations (under each head) are also explained therein.

VIII. Financial review—(*a*) *General.*—The Government Silk Filatures, Kollegal, was acquired by the Government of Madras from the Government of India on 1st September 1945. It was run as a State Trading scheme till 1st October 1948 since when it has been treated as a regular commercial concern. Except during the years 1947–48 and 1948–49 when the concern sustained a loss owing to the fall of price of silk due to Japanese imports the concern has been earning profit throughout. During the current year, the working of the Filatures resulted in a net profit of Rs. 47,911. Taking this into account, the total net profit earned by the concern to date is Rs. 5,72,954.

(*b*) *Accumulation of stock.*—During the period under audit, the entire output of silk was disposed of at favourable rates leaving only a small balance 3,200 lb. manufactured towards the close of the year. It was, however, seen that on the date of audit the stock had accumulated to 21,300 lb. as shown below :—

Period. (1)	Opening stock. (2)		Production. (3)		Total. (4)	
	LB.	OZ.	LB.	OZ.	LB.	OZ.
April 1951	3,200	13	2,751	15½	5,952	12½
May 1951	5,730	13½	4,618	12½	10,379	9½
June 1951	10,333	10½	4,432	15	14,766	9½
July 1951	14,746	12½	4,026	6½	18,773	2½
August, up to 20th	18,715	5½	2,584	12½	21,300	2

Difference between column (4) in one month and column (2) in the succeeding months represents issues to the Weaving section.

It was explained that the market rates of silk are on the downward trend due to the sale of imported foreign silk at far cheaper rates and that to guard against losses, the stocks of the filatures are held back from sale. This would indicate the necessity to watch carefully the trend of market and issue orders for quick disposal of the goods at the most opportune moments to prevent accumulation of stock and possible deterioration in quality.

(*c*) *Disposal of surplus plant and machinery.*—It is seen that out of 384 basins purchased in 1948, 64 basins have been dismantled to make provision for the installation of a new twisting machinery. Early action has to be taken to dispose of the dismantled basins to the best advantage of Government as they are no longer required in the Filatures. In view of the fact that the possibilities of utilizing the plant and machinery of Kollegal Silk Filature which contains 150 basins appear to be far remote, the question of their disposal may be taken up early. If the plant and machinery are to be disposed of, there will be a decrease in the amounts of depreciation and interest charges on capital of about Rs. 1,05,460 resulting in the reduction of present overheads. This was already mentioned in paragraph V of the report for 1948–49 and paragraph IV of the report for 1949–50.

(*d*) The Atwood silk twisting machinery to the value of Rs. 3,15,500 capable of producing 50 lb. of organzine silk per day has been imported from abroad in March 1951 and its installation is awaited. This will go a long way in meeting the demand for thrown silk for the handloom silk weaving industry and improving further the financial position of the Filatures.

(e. The question of systematization of imports of foreign raw silk by restricting the grant of licences is under the active consideration of the Central Silk Board. The final outcome of the proposals will be watched with interest as the decision has an important bearing on the future of the silk industry.

IX. Subject to the foregoing remarks, I certify that I have obtained all the information and explanations that I have required and that the balance Sheet signed by me as relative thereto exhibits a true and correct view of the state of affairs of the Government Silk Filatures, Kollegal, as on 31st March 1951.

R. SUBRAHMANIAM,
Assistant Examiner (Outside Audits).

ANNEXURE I,

[Vide Section II—Paragraph III of the report.]

Self-cheques drawn.

Date.	Amount. Rs.	Date.	Amount. Rs.
1950—		1950—	
30th October	50,000	27th November	50,000
4th November	50,000	30th November	50,000
10th November	50,000	7th December	50,000
13th November	50,000	15th December	50,000
22nd November	50,000		

Cash balances exclusive advances of spending with subordinate officers lying in the chest.

Date.	Amount. Rs. A. P.	Date.	Amount. Rs. A. P.
1950—		1950—	
30th October	45,698 6 4	27th November	46,346 0 1
31st October	40,771 5 10	28th November	30,352 6 4
1st November	27,785 10 10	29th November	20,379 7 7
2nd November	18,633 9 4	30th November	64,542 8 7
3rd November	18,055 11 4	1st December	46,283 2 1
4th November	56,884 11 1	2nd December	45,469 0 7
5th November	49,152 7 8	3rd December	30,469 0 7
6th November	43,028 15 7	4th December	30,579 3 7
7th November	22,561 15 1	5th December	28,834 1 7
8th November	23,128 10 1	6th December	18,992 12 10
9th November	18,169 7 10	7th December	48,599 0 7
10th November	48,629 0 10	8th December	43,604 2 10
11th November	36,891 2 10	9th December	28,493 9 10
12th November	17,053 0 10	10th December	28,493 9 10
13th November	66,377 11 10	11th December	27,592 2 4
14th November	66,377 11 10	12th December	23,862 3 1
15th November	50,255 11 7	13th December	13,466 0 1
16th November	47,021 5 7	14th December	7,935 11 1
17th November	46,349 7 7	15th December	59,667 7 1
18th November	41,149 1 7	16th December	50,464 15 1
19th November	41,149 1 7	17th December	45,601 14 1
20th November	41,909 15 4	18th December	40,790 2 1
21st November	35,713 12 4	19th December	38,885 14 7
22nd November	65,334 3 4	20th December	
23rd November	56,123 11 4	21st December	34,873 0 10
24th November	34,524 7 4	22nd December	25,893 9 10
25th November	17,044 10 10	23rd December	20,375 0 10
26th November	3,044 10 10	24th December	20,375 0 10

ANNEXURE II—(*Vide* Paragraph VII in Section III).

Comparison of estimated figures exhibited in the Production and Sales Budget with the actuals for 1950-51.

	Estimate for the year. (1)	Actuals. (2)	Reasons for the variation. (3)
	RS.	RS.	
I. Silk—			
1. Net profit	1,54,348	45,171	The decrease in profit as compared with the estimate is mainly due to (i) reduced production for the reasons stated against item (3) below and (ii) the idle expenditure of Rs. 41,416 incurred during the period of closure of the factory for three months and twenty-three days.
2. Cost of service (purchase price of materials, other production factors, etc.) ..	17,99,452	9,74,751	The decrease is not proportionate to the decrease in production due to (i) increase in the purchase price of raw materials, i.e., cocoons, the average cost of which worked out to Rs. 1-13-6 per lb. as against the estimated rate of Re. 1-6-0 per lb. and (ii) the actuals under direction charges and interest on capital exceeded the budget provision as shown below:—
	LB.	LB.	
3. Volume of production	52,500	22,720	The factory was not open to production for three months and twenty-three days during the year and the actual number of basins worked was 36,614 as against an estimated number of 67,200. This was mainly due to inadequate supply of cocoons on account of adverse seasonal conditions (such as failure of rains).

	Estimate. (1)	Actuals. (2)	Difference (3)
	RS.	RS.	RS.
Direction	5,000	9,026	4,026
Interest on capital	(—) 5,200	13,580	18,780
Total ..	..	..	22,806

and (iii) the idle expenditure incurred during the period of closure.

	Estimate for the year. (1) Estimate. Quantity. LB.	Estimate for the year. (1) Estimate. Value. Rs.	Actuals. (2) Actuals. Quantity. LB.	Actuals. (2) Actuals. Value. Rs.	Reasons for the variation. (3)
4. Volume of sales—					
Silk	50,000	17,50,000	20,186	8,96,304	The reduction in sales (quantity) is due to reduced production during the year. The products were sold at more than the estimated rates during the year.
Duppion	5,500	55,000	3,549	53,567	
Silk waste	35,000	70,000	9,633	30,050	
	..	18,75,000	..	9,79,930	
II. Silk fabrics—					
	Rs.		Rs. 1741		
1. Net profit	4,106		~~1,174~~		The decrease is due to reduced production during the year.
2. Total cost of service	63,626		21,572		The cost per yard worked out to Rs. 12-6-0 as against the estimated rate of Rs. 9-11-3. This is mainly due to reduction in the quantum of production by each labourer as stated in item 3. below.
	Yds.		Yds.		
3. Volume of production ..	6,912		2,151		The fall in the production of silk cloth is mainly due to the fact that all the looms were engaged in the manufacture of crepe, 3 shuttle weaving and lace border sarees to meet the demand as against the plain ones estimated to be produced. Each loom can produce only ¾ yard (to 2 yards) of the sarees of the above type as against 3 yards of a plain fabric per day.
	Quantity. Yds.	Value. Rs.	Quantity. Yds.	Value. Rs.	
4. Sales	6,500	61,752	4,096	40,037	The reduction in sales is due to reduced production during the year. The products were sold at slightly more than the estimated rates.

GOVERNMENT SILK FILATURES, KOLLEGAL.

BALANCE SHEET AS ON 31ST MARCH 1951.

Capital and liabilities.	Rs. A. P.	Rs. A. P.	Property and assets.	Rs. A. P.	Rs. A. P.
Capital as per Balance Sheet on 1st April 1950.	1,04,457 5 8		Land, buildings, plant and machinery.	5,38,871 11 5	
Add—Leave and pension contribution up to 31st March 1950.	30,363 2 8		*Add*—Additions	13,565 10 0	
Interest up to 31st March 1950.	2,13,227 15 0		Total ..	5,52,437 5 5	
Audit fee up to 31st March 1950.	5,381 5 0		*Deduct*—Depreciation and disposals.	39,691 12 7	
		3,53,429 12 4			5,12,745 8 10
Add—Cheques drawn	11,61,799 4 0		Finished products—		
General Provident Fund deductions.	1,958 6 0		Silk lb. 3,200–13	1,32,292 2 6	
Income-tax and surcharge ..	46 14 0		Duppion silk lb. 257–13½	4,218 6 3	
Debit adjustment by Accountant-General.	6,828 14 9		Silk waste lb. 6,750–3	18,723 5 0	
Leave and pension contribution for 1950–51.	3,069 0 0				1,55,233 13 9
Interest for 1950–51	13,579 9 0		Fabrics		25,797 5 9
Audit fees for 1950–51 ..	950 0 0		Loss of silk to be written off ..		6,218 6 6
Secretariat charges	925 0 0		Raw materials—		
Direction charges	9,026 0 0		Good cocoons lb. 1,14,604–8 ..	1,97,685 7 9	
		11,98,182 15 9	Rat-eaten cocoons	1,369 5 11	
		15,51,612 12 1	Gold and silver lace	353 13 0	
					1,99,408 10 8
			Other stores—		
			Fuel	2,594 11 0	
			Coal	426 3 6	
			Miscellaneous stores	18,856 11 9	
			Petrol	318 8 0	
			Dye stuff	493 3 9	
					22,689 6 0
			Service postage		99 8 9
			Sundry debtors		9,735 10 1
			Due from Central Silk Board ..		1,222 13 4
			Demurrage charges (suspense) ..		203 0 0

Balance Sheet as on 31st March 1951—*contd.*

Capital and liabilities.						Property and assets.					
Deduct—						Stock in process—					
	Rs.	A.	P.	Rs.	A.	P.		Rs.	A.	P.	Rs.	A.	P.
Remittances into treasury ..	12,12,829	8	0				Silk	5,022	1	3			
Sales tax remitted and adjusted ..	— 15,907	0	9				Gold lace	651	4	6			
	11,96,922	7	3								5,673	5	9
Credit adjustment	18,887	12	10				Objection book advance repayable				34	0	0
Payments on behalf of Sericultural section.	2,166	6	0				Security deposit as per contra				600	0	0
General Provident Fund withdrawal.	619	0	0				Closing cash balance				4,928	6	3
				12,18,595	10	1							
Closing capital				3,33,017	2	0							
Liabilities—													
Outstanding liability	..			33,400	6	7							
Sundry debtors—credit balance ..	..			1,720	14	0							
Sales tax payable	..			2,887	11	3							
Security deposits	..			600	0	0							
Profit and Loss Reserve Account—													
Profit to end of 1949–50	5,26,052	2	10										
Add Profit for 1950–51	46,911	11	0										
				5,72,963	13	10							
				9,44,589	15	8							
											9,44,589	15	8

Manufacturing Account for Silk for the year ended 31st March 1951.

Dr.

Particulars.	Amount. Rs. A. P.	Amount. Rs. A. P.
To Raw materials consumed—		
Cost of cocoons 407,922 lb. 6 oz.	7,52,040 7 10	
Add—Conveyance charges	15,588 4 3	
Other incidental charges ..	1,773 3 3	
		7,69,401 15 4
„ Cost of fuel consumed	5,350 1 9	
Add—Conveyance charges	7,794 2 2	
		13,144 3 11
To Cost of electric power consumed ..	..	5,031 15 0
„ Coal consumed		648 8 6
„ Cost of general stores consumed including freight, etc.	..	2,390 12 3
„ Wages and dearness allowance of labourers.	..	1,02,934 5 9
„ Pay and dearness allowance of factory staff.	..	27,062 10 0
„ Do. Officers 2/3 ..	..	2,257 8 0
„ Do. Office staff 2/3	..	5,568 11 0
„ Travelling allowance	..	3,095 10 0
„ Maintenance of boiler	..	487 12 6
Do. plant and machinery.	..	1,615 10 5
Do. buildings. ..	..	499 8 7
Do. Cart	..	1 2 0
„ Depreciation of factory buildings, plant, etc.	..	32,194 15 3
„ Other miscellaneous expenses (taxes, etc.)	1,784 2 3 2,179 3 0	
		3,963 5 3
		9,70,298 9 9

Particulars.	Amount. Rs. A. P.
By sale of dead pupæ	783 6 3
„ Value of transferred to trading account—	
(i) Silk, lb. 22,725–14	9,19,530 15 6
(ii) Duppion silk, lb. 805–11½	12,161 1 3
(iii) Silk waste, lb. 12,103–6	37,823 0 9
	9,69,515 1 6
	9,70,298 9 9

Dr.

Trading Account for the year ended 31st March 1951.

(SILK)

Particulars.	Amount.			Amount.			Particulars.	Amount.			Amount.		
	Rs.	A.	P.	Rs.	A.	P.		Rs.	A.	P.	Rs.	A.	P.
To Opening Stock—							By Sale of—						
Silk, lb. 1,070–5	49,539	10	6	..			Silk, lb. 20,185–10¾	8,96,304	0	0			
Duppion silk, lb. 3,047–15¾ ..	42,005	0	6	..			Duppion silk, lb. 3,548–8	53,566	9	3			
Silk waste, lb. 3,635–9	1,891	3	3	..							9,49,870	9	3
Kilchas	13	7	0	..			Silk waste (sales), lb. 9,632–12				30,058	14	0
Throwsters waste	54	0	0	..									
				93,503	5	3	„ Silk issued to weaving section, lb. 445–14				19,684	10	6
Value of stock to be written off.				6,616	9	0	„ Closing Stock—						
To Production—							Silk lb. 3,200–13				1,22,292	2	6
Silk, lb. 22,725–14	9,19,530	15	6	..			Duppion silk, lb. 257–13¼				4,218	6	3
Duppion silk, lb. 805–11¼	12,161	1	3	..			Silk waste lb. 6,750–3				18,723	5	0
Silk waste, lb. 12,103–6	37,823	0	9	..									
				9,69,515	1	6	„ Value of stock to be written off				6,218	6	6
„ Packing materials				1,604	4	9							
„ Petrol	14,385	5	0										
„ Maintenance of motor vehicles including pay of drivers and cleaners.	17,026	3	7										
	31,411	8	7										
Less lorry hire	235	0	0										
	31,176	8	7										
Half ~~of Rs. 15,588-4-3~~ to cocoons	7,588-4-3												
Quarter ~~of Rs. 7,794-2-2~~ to fuel.	7,794-2-2												
„ Carriage outwards				7,794	2	2							
„ Agents' commission				92	7	0							
„ Gross profit				81,040	7	7							
				11,61,066	6	0					11,61,066	6	0

SILK FABRICS.

COMBINED MANUFACTURING AND TRADING ACCOUNT OF THE WEAVING SECTION FOR THE YEAR ENDED 31ST MARCH 1951.

Dr. Cr.

Particulars.	Rs.	A.	P.	Amount. Rs.	A.	P.	Particulars.	Rs.	A.	P.	Amount. Rs.	A.	P.
To Opening Stock—							By sale of fabrics				40,037	4	0
Fabrics				37,521	5	11	„ Closing stock of silk fabrics manufactured.	25,635	15	3			
Yarn (silk)				2,298	10	6	„ Gudiyattam	161	6	6	25,797	5	9
Gold and silver lace				205	9	3					5,023	1	3
„ Silk obtained from Silk section.				19,684	10	6	„ Silk in Weaving section and on looms.				651	4	6
„ Weaving charges				5,030	9	9	„ Gold lace in Weaving section and on looms.						
„ Gold and silver laces obtained from stores.				4,697	10	4							
„ Bleaching				68	15	11							
„ Dyes consumed				209	11	0							
„ Profit carried over to profit and loss account.				1,740	11	11							
				71,507	15	6					71,507	15	6

Combined Profit and Loss Account for the year ended 31st March 1951.

SILK AND SILK FABRICS.

Dr. **Cr.**

Particulars.	Amount. Rs.	A.	P.	Particulars.	Amount. Rs.	A.	P.
To Pay and allowances of officers 1/3	1,128	12	0	By Profit from Trading account	81,940	7	7
,, Pay and allowances of office establishment 1/3 ..	2,784	5	0	,, Do. Weaving section	1,740	11	11
,, Medical aid	1,472	9	4	,, Rent	5,992	14	0
,, Postage	1,121	9	6	,, Sale of fuel chips	22	10	0
,, Stationery and forms	682	7	2	,, Other receipts	2,738	14	9
,, Office contingencies	99	5	3	,, Trailer pump hire charges	179	7	0
,, Property-tax (other than factory buildings)	950	14	0	,, Forwarding charges collected	20	3	6
,, Books and periodicals	133	2	0	,, V.P. charges collected	5	12	0
,, Advertisement	1,225	0	0				
,, Exhibition expenses	893	11	9				
,, Repairs to cycles	54	9	9				
,, Depreciation other than factory	4,523	0	0				
,, Leave and pensionary contribution	3,069	0	0				
,, Direction charges	9,026	0	0				
,, Interest on capital	13,579	9	0				
,, Audit fees	950	0	0				
,, Secretariat staff fee	925	0	0				
,, Electric consumption charges	559	1	0				
,, Maintenance of electrical installation	1,184	4	8				
,, Maintenance of creche	811	2	2				
,, Write-off rat of eaten cocoons	234	5	1				
,, Maintenance of livestock	266	4	2				
,, Do. tools	55	5	11				
,, Net profit	46,911	11	0				
Total ..	92,641	0	9	Total ..	92,641	0	9

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STATEMENT I.

Statement showing monthly consumption of cocoons, wages paid and yield of silk and silk waste during the year 1950-51.

Month.	Cocoons consumed good/double.	Wages paid.	Percentage of wages to cocoons consumed.	Silk produced.	Duppion silk produced.	Silkwaste produced.	Percentage of silk produced to good cocoons used.	Percentage of duppion silk produced to double cocoons used.	Percentage of silk waste produced to cocoons used.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	LB. OZ.	RS. A. P.		LB. OZ.	LB. OZ.	LB. OZ.			
April 1950	..	767 5 0	..	6 13½	..	..	..	..	..
May 1950	..	851 3 0	..	9 6	..	..	..	..	1·98
June 1950	630 0	603 9 0	95·87	18 12½	0 11½	12 8	2·98	..	1·91
July 1950	7,709 8 172 0	3,067 1 0	38·91	524 10½	10 0	229 0	6·80	5·81	2·92
August 1950	29,813 0 1,512 0	10,270 10 0	32·47	1,828 11½	113 15½	913 12	6·14	7·64	2·39
September 1950	44,863 4 2,038 10	10,555 3 0	22·50	2,352 3	92 15	1,118 12	5·24	4·56	3·09
October 1950	42,491 8 2,220 4	10,515 0 0	23·51	2,669 2½	102 8	1,380 0	6·28	4·57	3·41
November 1950	54,881 12 1,958 0	13,234 1 0	23·28	3,375 1½	96 7½	1,941 8	6·15	4·93	2·88
December 1950	60,231 8 2,373 0	14,812 1 0	23·66	3,576 5½	98 12½	1,802 0	5·94	4·16	2·92
January 1951	54,113 12 859 0	13,749 14 0	25·01	2,940 12½	72 4½	1,604 8	5·43	8·41	2·74
February 1951	46,969 8 1,311 4	11,546 2 0	23·91	2,568 12	82 13½	1,321 0	5·47	6·31	3·02
March 1951	51,898 4 1,876 4	13,380 4 0	24·88	2,855 3½	136 2½	1,624 12	5·50	7·25	
Total ..	393,602 0 14,320 0	1,03,352 0 0		22,725 14	805 11½	11,947 12*			

* Excludes 155 lb. 10 oz. being excess found in stock verification.

STATEMENT II.

Calculation of interest for 1950–51.

	Rs.	A.	P.	Rs.	A.	P.
Opening Capital		..		3,53,429	12	4
Add—						
Cheques drawn	11,61,799	4	0			
General Provident Fund Deductions	1,958	6	0			
Sales tax and general charges	46	14	0			
Debit adjustments	6,828	14	9			
Leave salary contribution	3,069	0	0			
Audit fees	950	0	0			
Secretariat staff charges	925	0	0			
Direction charges	9,026	0	0			
Opening cash balance	11,040	7	4			
				11,95,643	14	1
				15,49,073	10	5
Deduct—						
Remittance	12,12,829	8	0			
Less sales tax	15,907	0	9			
	11,96,922	7	3			
Credit adjustment	18,387	12	10			
Payment on behalf of Sericultural section ..	2,166	6	0			
General Provident Fund withdrawal	619	0	0			
Closing cash balance	4,928	6	3			
				12,23,824	0	4
Closing capital without interest				3,25,549	10	1
Interest on Rs. 3,53,429–12–4 at 4 per cent ..				14,137	8	0
Interest on mean capital—						
Rs. 3,25,549–10–1 *minus* 3,53,429–12–4 / 2 or						
— Rs. 13,940–1–2 at 4 per cent.				— 557	10	0
				13,579	9	0

STATEMENT III.

Statement of land, buildings, plant and machinery, etc.

Particulars.	Value of assets as on 31st March 1950. (2) Rs. A. P.	Additions. (3) Rs. A. P.	Disposals. (4) Rs. A. P.	Net total. (5) Rs. A. P.	Depreciation for 1950-51. (6) Rs. A. P.	Depreciated value of assets as on 31st March 1951. (7) Rs. A. P.
1 Land	9,171 1 7	..	..	9,171 1 7	..	9,171 1 7
2 Main building	38,091 11 1	..	..	38,091 11 1	2,857 0 0	35,234 11 1
3 Cocoon storage	31,196 13 5	..	..	31,196 13 5	2,340 0 0	28,856 13 5
4 Silk examining and packing room	4,592 1 6	..	..	4,592 1 6	344 0 0	4,248 1 6
5 Manager's quarters	5,716 8 9	..	..	5,716 8 9	143 0 0	5,573 8 9
6 Masonry drains	2,142 2 9	..	..	2,142 2 9	161 0 0	1,981 2 9
7 General stores and workshops	1,474 12 7	..	..	1,474 12 7	111 0 0	1,362 12 7
8 Boiler room	1,797 4 0	..	..	1,797 4 0	135 0 0	1,662 4 0
9 Office building	27,686 9 3	..	..	27,686 9 3	2,076 0 0	25,610 9 3
10 Chowkidars' quarters	1,169 6 2	..	..	1,169 6 2	88 0 0	1,081 6 2
11 Latrines and urinals for work people	1,854 15 1	..	..	1,854 15 1	139 0 0	1,715 15 1
12 Roads and culverts	1,608 12 6	..	..	1,608 12 6	121 0 0	1,487 12 6
13 Compound wall and gate	1,174 15 8	..	..	1,174 15 8	88 0 0	1,086 15 8
14 Double garage	710 1 1	..	..	710 1 1	53 0 0	657 1 1
15 Quarters for Technical Expert	6,172 3 6	..	..	6,172 3 6	154 0 0	6,018 3 6
16 Lunch sheds	3,384 13 5	..	..	3,384 13 5	254 0 0	3,130 13 5
17 Service reservoir	1,297 4 4	..	..	1,297 4 4	97 0 0	1,200 4 4
18 Servants' quarters	650 3 2	..	..	650 3 2	49 0 0	601 3 2
19 Latrines for staff	558 7 0	..	..	558 7 0	42 0 0	516 7 0
20 Saraswathi Bai Labour Colony	27,076 11 10	..	..	27,076 11 10	677 0 0	26,399 11 10
21 Reeling basins and machinery	93,105 0 6	..	..	93,105 0 0	11,173 0 0	81,932 0 6
22 Tools and equipment	27,439 14 4	..	..	27,439 14 4	3,293 0 0	24,146 14 4
23 Boilers	24,227 11 7	..	..	24,227 11 7	2,423 0 0	21,804 11 7
24 Station wagon	364 9 1	13,565 10 0	364 9 1	13,565 10 0	..	13,565 10 0
25 Steam and water pipe connexions	20,648 10 10	..	..	20,648 10 10	2,478 0 0	18,170 10 10
26 Stifling chamber	258 15 0	..	..	258 15 0	19 0 0	239 15 0
27 Furniture in Technical Expert's quarters	389 7 5	..	..	389 7 5	23 0 0	366 7 5
28 Water-supply and sinking of bore-well	3,956 13 7	..	..	3,956 13 7	237 0 0	3,719 13 7
29 Furniture in Manager's quarters	406 4 7	..	..	406 4 7	24 0 0	382 4 7
30 Ford trucks	773 1 4	..	..	773 1 4	193 0 0	580 1 4
31 Sechoir	8,979 10 9	..	..	8,979 10 9	1,078 0 0	7,901 10 9
32 Bullock	346 15 3	..	..	346 15 3	196 15 3	150 0 0
33 Furniture in Kollegal Silk Filature	2,728 6 3	..	..	2,728 6 3	164 0 0	2,564 6 3
34 Cart	315 14 2	..	..	315 14 2	38 0 0	277 14 2

STATEMENT III—*cont.*

Statement of land, buildings, plant and machinery, etc.—cont.

Particulars	Value of assets as on 31st March 1950.	Additions.	Disposals.	Net total	Depreciation for 1950-51.	Depreciated value of assets as on 31st March 1951
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
35 Radio sets	87 8 8	..	..	87 8 8	11 0 0	76 8 8
36 Seriplane and board	929 2 6	..	..	929 2 6	111 0 0	818 2 6
37 Denier scale	24 3 9	..	..	24 3 9	3 0 0	21 3 9
38 Serimeter	129 1 3	..	..	129 1 3	15 0 0	114 1 3
39 Denier testing machine	142 14 9	..	..	142 14 9	17 0 0	125 14 9
40 Silk throwing plant	10,904 8 7	..	..	1,904 8 7	133 0 0	1,771 8 7
41 Traitor pump	2,609 4 3	..	2,609 4 3	..	..	..
42 Electrification	15,583 12 0	..	..	15,583 12 0	1,558 0 0	14,025 12 0
43 Establishment charges	2,855 11 0	..	..	2,855 11 0	..	2,855 11 0
44 Handloom, first set	436 5 10	..	..	436 5 10	26 0 0	410 5 10
45 Handloom, second set	797 7 6	..	..	797 7 6	48 0 0	749 7 6
46 Scientific instruments	252 15 9	..	..	252 15 9	30 0 0	222 15 9
47 Books and periodicals	88 0 3	..	..	88 0 3	..	88 0 3
48 Silk waste godown	26,017 0 0	..	..	26,017 0 0	1,951 0 0	24,066 0 0
49 Atwood silk twisting machinery	1,13,460 0 0	..	..	1,13,460 0 0	..	1,13,460 0 0
50 Bangalore silk twisting machinery ..	22,085 6 0	..	..	22,085 6 0	1,546 0 0	20,539 6 0
Total ..	5,38,871 11 5	13,565 10 0	2,973 13 4	5,49,463 8 1	36,717 15 3	5,12,745 8 10

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Proof corrected. Please carry out the corrections made and keep the type standing. Orders on the audit report will be sent in due course.

Fwd. St. Sense
30.5.52